Resolved, That the Secretary of the Senate is authorized and directed to pay, from the contingent fund of the Senate, to Mary Lyda Nance, widow of Admiral James W. Nance, an employee of the Senate at the time of his death, the sum of $200,000, that sum to be considered inclusive of funeral expenses and all other allowances.

AMENDMENTS SUBMITTED

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS ACT, 2000

CRAPO (AND OTHERS) AMENDMENT NO. 1372

(Ordered to lie on the table.)

Mr. CRAPO (for himself, Mr. CRAIG, and Mr. BURNS) submitted an amendment to be proposed by them to the bill (H.R. 2466) making appropriations for the Department of the Interior and related agencies for the fiscal year ending September 30, 2000, and for other purposes; as follows:

On page 10, line 16, after “herein,” insert the following: “of which not less than $750,000 shall be available for the development of a voluntary enrollment habitat conservation plan for cold water fish in cooperation with the States of Idaho and Montana (of which $150,000 shall be used to fund full-time positions of personnel to assist in the development of the plan and $300,000 shall be made available to each State for data collection, organizational, and related activities), and of which not more than $64,626,000 shall be available for habitat conservation.”

TAXPAYER REFUND ACT OF 1999

BROWNBACK AMENDMENT NO. 1373

(Ordered to lie on the table.)

Mr. BROWNBACK submitted an amendment intended to be proposed by him to the bill (S. 1429) to provide for reconciliation pursuant to section 104 of the Budget Act of 1997, and for other purposes; as follows:

On page 10, line 16, after “herein,” insert the following: “of which not less than $750,000 shall be available for the development of a voluntary enrollment habitat conservation plan for cold water fish in cooperation with the States of Idaho and Montana (of which $150,000 shall be used to fund full-time positions of personnel to assist in the development of the plan and $300,000 shall be made available to each State for data collection, organizational, and related activities), and of which not more than $64,626,000 shall be available for habitat conservation.”

SEC. 201. ELIMINATION OF MARRIAGE PENALTY IN INDIVIDUAL INCOME TAX RATES.

(a) GENERAL RULE.—Section 1 (relating to tax imposed) is amended by striking subsections (a) through (e) and inserting the following:

“(a) Married Individuals Filing Joint Returns and Surviving Spouses.—There is hereby imposed on the taxable income of—

“(i) every married individual (as defined in section 7703) who makes a single return jointly with his spouse under section 6013, and

“(ii) every surviving spouse (as defined in section 2(a)), a tax determined in accordance with the following table:

<table>
<thead>
<tr>
<th>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $6,700</td>
<td>15% of taxable income</td>
</tr>
</tbody>
</table>
CONGRESSIONAL RECORD—SENATE

July 28, 1999

[18246]

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999. On page 9, line 12, strike “2000” and insert “2002.”

Beginning on page 10, strike lines 17 and all that follows through page 11, line 12, and insert the following:

“(1) Joint Returns and Surviving Spouses.—In the case of the table contained in subsection (a)—

Applicable dollar amount:
2007 or 2008 ......................................... $2,000
2009 and thereafter ................................ $5,000.

“(ii) Other Tables.—In the case of the table contained in subsection (b), (c), or (d)—

“Calendar year: dollar amount:
2007 or 2008 ......................................... $2,000
2009 and thereafter ................................ $5,000.

“(B) Cost-of-Living Adjustment.—In the case of any taxable year beginning in any calendar year after 2009, the applicable dollar amount shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under paragraph (3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2007’ for ‘calendar year 1992’ in subparagraph (B) thereof.”

GREGG AMENDMENTS NOS. 1374–1375

(Ordered to lie on the table.)

Mr. GREGG submitted two amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

Amendment No. 1374

At the appropriate place in the bill, insert the following:

SEC. 2. ONE-YEAR EXTENSION OF PERIOD OF TIME TAX MORATORIUM UNDER INTERNET TAX FREEDOM ACT.


Amendment No. 1375

On page 21, before line 1, insert:

(c) Minimum Dependent Care Credit Allowed for Stay-at-Home Parents.—Section 21(e) (relating to special rules) is amended by adding at the end the following:

“(11) Minimum credit allowed for stay-at-home parents—Section 21(e) (relating to special rules) is amended by adding at the end the following:

“(A) in general.—Notwithstanding subsection (d), in the case of any taxpayer with 1 or more qualifying individuals described in subsection (b)(1)(A) under the age of 1, such taxpayer shall be deemed to have employment-related expenses for the taxable year with respect to each such qualifying individual in an amount equal to the sum of—

“(i) $200 for each month in such taxable year during which such qualifying individual is under the age of 1, and

“(ii) the amount of employment-related expenses otherwise incurred for such qualifying individual for the taxable year (determined under this section without regard to this paragraph).

“(B) Election to not apply this paragraph.—This paragraph shall not apply with respect to any qualifying individual for any taxable year if the taxpayer elects not to have this paragraph apply to such qualifying individual for such taxable year.”.

On page 21, line 1, strike “(c)” and insert “(d)”. On page 195, strike lines 4 through 23.

DASCHLE (AND OTHERS) AMENDMENT NO. 1376

(Ordered to lie on the table.)

Mr. DASCHLE (for himself, Mr. BYRD, Mr. BINGAMAN, and Mr. KERREY) submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

At the end of the bill add the following:

DIVISION II—ENERGY SECURITY TAX INCENTIVES

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE; TABLE OF CONTENTS.

(a) Short Title.—This division may be cited as the “Energy Security Tax Act of 1999.”

(b) Amendment of 1986 Code.—Except as otherwise expressly provided, whenever in this division an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) Table of Contents.—

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—ENERGY-EFFICIENT PROPERTY USED IN BUSINESS

Sec. 101. Credit for certain energy-efficient property used in business.

TITLE II—NONBUSINESS ENERGY SYSTEMS

Sec. 201. Credit for certain nonbusiness energy systems.

TITLE III—ALTERNATIVE FUELS

Sec. 301. Allocation of alcohol fuels credit to patrons of a cooperative.

TITLE IV—AUTOMOBILES

Sec. 401. Credit for purchase of fuel cell, electric, and hybrid electric vehicles.

TITLE V—CLEAN COAL TECHNOLOGIES

Sec. 501. Credit for investment in qualifying clean coal technology.

Sec. 502. Credit for production from qualifying clean coal technology.

Sec. 503. Risk pool for qualifying clean coal technology.

TITLE VI—METHANE RECOVERY

Sec. 601. Expansion of section 29 tax credit.

Sec. 602. Credit for capture of coalbed methane gas.

TITLE VII—OIL AND GAS PRODUCTION

Sec. 701. Credit for production of re-refined lubricating oil.

Sec. 702. Repeal certain adjustments based on adjusted current earnings relating to oil and gas assets.

Sec. 703. 10-year carryback for percentage depletion for oil and gas property.

TITLE VIII—RENEWABLE POWER GENERATION

Sec. 801. Credit for investment in photovoltaic and wind property manufacturing facilities.

Sec. 802. Modifications to credit for electricity produced from renewable resources.

Sec. 803. Proportional credit for producing electricity through co-firing.

Sec. 804. Credit for capital costs of qualified biomass-based generating system.

Sec. 805. Pass-through of renewable energy production incentive payments to end-users.

TITLE IX—STEELMAKING

Sec. 901. Credit for energy-efficient steelmaking capacity.

Sec. 902. Extension of credit for electricity to production from steel cogeneration.

TITLE X—AGRICULTURE

Sec. 1001. Agricultural conservation tax credit.

TITLE I—ENERGY-EFFICIENT PROPERTY USED IN BUSINESS

Sec. 101. Credit for certain energy-efficient property used in business.

(a) In General.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit) is amended by inserting after section 48 the following:

“SEC. 48A. ENERGY CREDIT.

“(a) In General.—For purposes of section 46, the energy credit for any taxable year is the sum of—

“(1) the amount equal to the energy percentage of the basis of each energy property placed in service during such taxable year, and

“(2) the credit amount for each qualified hybrid vehicle placed in service during the taxable year.

“(b) Energy Percentage.—

“(1) In General.—The energy percentage is—

“(A) except as otherwise provided in this subparagraph, 10 percent,

“(B) in the case of energy property described in clauses (i), (ii), (vi), (vii), and (viii) of subsection (c)(1)(A), 20 percent,

“(C) in the case of energy property described in subsection (c)(1)(A)(v), 15 percent, and

“(D) in the case of energy property described in subsection (c)(1)(A)(vii) relating to high risk geothermal wells, 20 percent.

“(2) Coordination with Rehabilitation.—The energy percentage shall not apply to that portion of the basis of any property which is attributable to qualified rehabilitation expenditures.

“(c) Energy Property Defined.—

“(1) In General.—For purposes of this subpart, the term ‘energy property’ means any property—

“(A) which is—

“(i) solar energy property,

“(ii) geothermal energy property,

“(iii) energy-efficient building property,

“(iv) combined heat and power system property,

“(v) low core loss distribution transformer property,

“(vi) fuel-efficient farm equipment property,

“(vii) qualified aerobic digester property, or

“(viii) qualified wind energy systems equipment property.

“(B)(i) the construction, reconstruction, or erection of which is completed by the taxpayer, and

“(ii) which is acquired by the taxpayer if the original use of such property commences with the taxpayer,

“(C) which can reasonably be expected to remain in operation for at least 5 years,

“(D) with respect to which depreciation (or amortization in lieu of depreciation) is allowable, and

“(E) which meets the performance and quality standards (if any) which—
“(i) have been prescribed by the Secretary by regulation (including any modification with the Secretary of Energy), and

(ii) are in effect at the time of the acquisition of the property.

(2) DEFINITIONS RELATING TO TYPES OF ENERGY PROPERTY.—For purposes of this section—

(A) PUBLIC UTILITY PROPERTY.—Such term shall not include any property which is public utility property (as defined in section 46(f)(5) of the Energy Policy Act of 1990, except for property described in paragraph (1)(A)(iv).

(B) WATER HEATING PROPERTY.—Such term shall not include equipment described in paragraph (1)(A)(viii) which is taken into account for purposes of section 45 for the taxable year.

(C) SOLAR WATER HEATING PROPERTY.—(i) In general.—The term 'solar water heating property' means—

(ii) a central air conditioner that has a cooling seasonal energy efficiency ratio (SEER) of 13 or greater,

(iii) an advanced natural gas water heater that—

(I) increases steady state efficiency and reduces standby and vent losses, and

(II) has an energy factor of at least 0.65,

(iv) a central air conditioner that has a coefficient of performance of not less than 1.25 for heating and not less than 0.60 for cooling,

(v) a fuel cell that—

(I) increases steady state efficiency and reduces standby and vent losses, and

(II) has an energy factor of at least 0.65,

(vi) an exhaust gas heat pump that has a coefficient of performance of not less than 1.25 for heating and not less than 0.60 for cooling,

(vii) an advanced natural gas furnace that achieves a 95 percent AFUE, and

(viii) a qualified hybrid vehicle.

(B) QUALIFIED HYBRID VEHICLE.—(i) In general.—The term 'qualified hybrid vehicle property' means equipment which is used to produce, distribute, or use energy derived from a qualified hybrid vehicle property (as defined in section 613(e)(2)) which requires high risk drilling techniques. Such property may not be located in a State or national park or in an area in which the Bureau of Land Management, the Office of Surface Management, or the National Park Service determines the development of such a deposit will negatively impact on a State or national park.

(B) ENERGY-EFFICIENT BUILDING PROPERTY.—(i) In general.—The term 'energy-efficient building property' means—

(ii) an electric heat pump for hot water heating that has an energy factor of at least 0.85, and

(iii) a gas water heater that has a coefficient of performance of not less than 1.25 for heating and not less than 0.60 for cooling,

(B) QUALIFIED WIND ENERGY SYSTEMS EQUIPMENT PROPERTY.—(i) In general.—The term 'qualified wind energy systems equipment property' means property used in a wind energy system which achieves a 95 percent AFUE, and

(ii) that has a coefficient of performance of not less than 1.10 for heating and not less than 0.65 for cooling.

(B) ENERGY-EFFICIENT BUILDING PROPERTY.—(i) In general.—The term 'energy-efficient building property' means—

(ii) a central air conditioner that has a coefficient of performance of not less than 0.65.

(C) SOLAR PANELS.—No solar panel or solar water heating property shall not exceed $1,000.

(D) PHOTovoltaIC PROPERTY.—(i) In general.—The term 'photovoltaic property' means property which, when installed in connection with a structure, uses solar energy for the purpose of providing hot water for use within such structure.

(E) RESIDENTIAL BUILDING.—An apartment which is treated as a residence shall not include—

(1) a residential building

(2) the structure on which it is installed.

(F) SOLAR PANELS.—No solar panel or solar water heating property shall be treated as solar energy property installed as a roof (or portions thereof) shall fail to be treated as solar energy property.

(G) RESIDENTIAL BUILDING.—A building which is constructed in a structure on which it is installed.

(H) RESIDENTIAL BUILDING.—A building which is constructed in a structure on which it is installed.

(I) RESIDENTIAL BUILDING.—A building which is constructed in a structure on which it is installed.

(J) RESIDENTIAL BUILDING.—A building which is constructed in a structure on which it is installed.

(K) RESIDENTIAL BUILDING.—A building which is constructed in a structure on which it is installed.
non-heat energy converter devices available for a driver's command for maximum acceleration at vehicle speeds under 75 miles per hour.

"(4) AUTOMOBILE.—The term 'automobile' has the same meaning as such term as defined in section 406A(1) (without regard to subparagraphs (B) and (C) thereof). A vehicle shall not fail to be treated as an automobile solely by reason of weight if such vehicle is rated at 8,500 pounds gross vehicle weight rating or less.

"(5) DOUBLE BENEFIT: PROPERTY USED OUTSIDE UNITED STATES, ETC., NOT QUALIFIED.—No credit shall be allowed under subsection (a)(2) with respect to—

(A) any property for which a credit is allowed under section 25B or 30,

(B) any property referred to in section 50(b), and

(C) the portion of the cost of any property taken into account under section 179 or 179A.

"(6) REGULATIONS.—

(A) Treasury.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection.

(B) ENVIRONMENTAL PROTECTION AGENCY.—The Administrator of the Environmental Protection Agency shall prescribe such regulations as may be necessary or appropriate to specify the testing and calculation procedures that would be used to determine whether a vehicle meets the qualifications for a credit under this subsection.

"(7) TERMINATION.—Paragraph (2) shall not apply with respect to any vehicle placed in service during a calendar year ending before January 1, 2003, or after December 31, 2003.

"(8) SPECIAL RULES.—For purposes of this section—

(A) SPECIAL RULE FOR PROPERTY FINANCED BY SUBSIDIZED ENERGY FINANCING OR INDUSTRIAL DEVELOPMENT BONDS.—

(1) Reduction of basis.—For purposes of applying the energy percentage to any property, if such property is financed in whole or in part by—

(i) subsidized energy financing, or

(ii) the proceeds of a private activity bond (within the meaning of section 141) the interest on which is exempt from tax under section 103,

the amount taken into account as the basis of such property shall not exceed the amount which (but for this subparagraph) would be so taken into account multiplied by the fraction determined under subparagraph (B).

(B) Determination of fraction.—For purposes of subparagraph (A), the fraction determined under this subparagraph is 1 reduced by a fraction—

(i) the numerator of which is that portion of the basis of the property which is allocable to such financing or proceeds, and

(ii) the denominator of which is the basis of the property.

(C) Subsidized energy financing.—For purposes of subparagraph (A), the term 'subsidized energy financing' means financing provided under a Federal, State, or local program a principal purpose of which is to provide subsidized financing for projects designed to conserve or produce energy.

"(2) SPECIAL RULES MADE APPLICABLE.—Rules similar to the rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the date of the enactment of this Act) shall apply for purposes of this section.

"(9) Application of section.—

(A) In general.—Except as provided by paragraph (2) and subsection (e), this section shall apply to property placed in service after December 31, 1999, and before January 1, 2006.

(B) EXCEPTIONS.—

(1) SOLAR ENERGY, GEOTHERMAL ENERGY, AND LOW CORE LOSS DISTRIBUTION TRANSFORMER PROPERTY.—Paragraph (1) shall not apply to: solar energy property or geothermal energy property.

(2) PHOTOVOLTAIC PROPERTY.—In the case of photovoltaic property, this section shall apply to property placed in service after December 31, 1999, and before January 1, 2006.

(3) FUEL CELL PROPERTY.—In the case of fuel cell property, this section shall apply to property placed in service after December 31, 1999, and before January 1, 2006.

(C) ENERGY CREDIT ALLOWABLE AGAINST ENTIRE REGULAR TAX AND ALTERNATIVE MINIMUM TAX.—

(1) in general.—Section 38c (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following:

(3) SPECIAL RULES FOR ENERGY CREDIT.—

(A) In general.—In the case of a C corporation, this section and section 39 shall be applied separately—

(i) with respect to so much of the credit allowed by subsection (a) as is not attributable to the energy credit, and

(ii) with respect to the energy credit.

(B) RULES FOR APPLICATION OF ENERGY CREDIT.—

(1) In general.—In the case of the energy credit, of applying the preceding paragraphs of this subsection, the amount of such credit allowed under subsection (a) for any taxable year shall not exceed the net chapter 1 tax determined under section 48A (determined under this paragraph), multiplied by the fraction determined under section 48A(c)(2)(A) and allowable under section 46 (relating to energy property).

(2) Conforming amendment.—Section 39(c)(4)(A)(ii)(I) is amended by striking "other than the empowerment zone employment credit" and inserting "other than the credits described in this paragraph and paragraph (3)".

(C) Conforming amendments.—

(1) Section 48 is amended to read as follows:

"SEC. 48. REFORESTATION CREDIT.

"(a) in general.—For purposes of section 46, the reforestation credit for any taxable year is 20 percent of the portion of the amortizable basis of any qualified timber property which was acquired during such taxable year and which is taken into account under section 194 (after the application of section 194(h)(1)).

"(b) Definitions.—For purposes of this paragraph, the terms 'amortizable basis' and 'qualified timber property' have the respective meanings given to such terms by section 194.

(2) Section 280E(d) is amended by adding at the end the following:

"(9) No credit of energy credit before effective date.—No portion of the unused business credit for any taxable year which is attributable to the energy credit determined under this subpart may be carried back to a taxable year ending before the date of the enactment of section 48A."
During the taxable year which is a qualified hybrid vehicle (as defined in section 48A(f)(2)), and

"(C) the credit amount specified in the following table for a new, highly energy-efficiency principal residence:

<table>
<thead>
<tr>
<th>New, Highly Energy-Efficient</th>
<th>Credit Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal Residence</td>
<td></td>
</tr>
<tr>
<td>30 percent property</td>
<td>$1,000</td>
</tr>
<tr>
<td>40 percent property</td>
<td>$1,500</td>
</tr>
<tr>
<td>50 percent property</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

"(2) APPLICABLE PERCENTAGE.—The applicable percentage shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Column A—Description</th>
<th>Column B—Applicable Percentage</th>
<th>Column C—Period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>For the period</td>
</tr>
<tr>
<td>20 percent energy-efficient building property</td>
<td>20 percent</td>
<td>1/1/2000 – 12/31/2003</td>
</tr>
<tr>
<td>30 percent energy-efficient building property</td>
<td>30 percent</td>
<td>1/1/2000 – 12/31/2001</td>
</tr>
<tr>
<td>Photovoltaic property</td>
<td>15 percent</td>
<td>1/1/2000 – 12/31/2006</td>
</tr>
</tbody>
</table>

"(B) PERIODS FOR WHICH PERCENTAGE NOT SPECIFIED.—In the case of any residential energy property, the applicable percentage shall be zero for any period for which an applicable percentage is not specified for such property by subparagraph (A).

"(B) MAXIMUM CREDIT.—

"(1) IN GENERAL.—In the case of property described in the following table, the amount of the credit allowed under subsection [(a)(1)(A)] for the taxable year for each item of such property with respect to a dwelling unit shall not exceed the amount specified for such property in such table:

<table>
<thead>
<tr>
<th>Description of property item</th>
<th>Maximum allowable credit amount is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 percent energy-efficient building property other than a fuel cell or natural gas heat pump</td>
<td>$900.00</td>
</tr>
<tr>
<td>30 percent energy-efficient building property</td>
<td>$500 per each kw-hr of capacity of fuel cell described in section 48A(e)(3)(B)</td>
</tr>
<tr>
<td>10 percent energy-efficient building property, solar water heating property, photovoltaic property</td>
<td>$2,000.00</td>
</tr>
</tbody>
</table>

"(2) COORDINATION OF LIMITATIONS.—If a credit is allowed to the taxpayer for any taxable year by reason of acquisition of a new, highly energy-efficient principal residence, no other credit shall be allowed under subsection [(a)(1)(A)] with respect to such residence during the 1-taxable year period beginning in such taxable year.

"(c) DEFINITIONS.—For purposes of this section:

"(1) RESIDENTIAL ENERGY PROPERTY EXPENDITURES.—The term ‘residential energy property expenditures’ means expenditures made by the taxpayer for qualified energy property installed on or in connection with a dwelling unit which—

"(A) is located in the United States, and

"(B) is used by the taxpayer as a residence. Such term includes expenditures for labor costs properly allocable to the onsite preparation, assembly, or original installation of the hybrid electric vehicle.

"(2) QUALIFIED ENERGY PROPERTY.—

"(A) IN GENERAL.—The term ‘qualified energy property’ means—

"(i) energy-efficient building property,

"(ii) solar water heating property, and

"(iii) photovoltaic property.

"(B) SWIMMING POOL, ETC., USED AS STORAGE MEDIUM.—For purposes of this paragraph, the provisions of subparagraphs (D) and (E) of section 48A(e)(1) shall apply.

"(3) ENERGY-EFFICIENT BUILDING PROPERTY.—

"(A) SPECIFIED.—In the case of any residential energy property, the term ‘energy-efficient building property’ has the meaning given to such term by paragraphs (3) and (4) of section 48A(e).

"(4) SOLAR WATER HEATING PROPERTY.—The term ‘solar water heating property’ means property which, when installed in connection with a structure, uses solar energy for the purpose of providing hot water for use within such structure.

"(5) PHOTOVOLTAIC PROPERTY.—The term ‘photovoltaic property’ has the meaning given to such term by section 64(h)(6)(B).

"(6) NEW, HIGHLY ENERGY-EFFICIENT PRINCIPAL RESIDENCE.—

"(A) IN GENERAL.—Property is a new, highly energy-efficient principal residence if—

"(i) such property is located in the United States,

"(ii) the original use of such property commences with the taxpayer and is, at the time of such use, the principal residence of the taxpayer, and

"(iii) such property is certified before such use commences as being 50 percent property, 40 percent property, or 30 percent property.

"(B) 50, 40, OR 30 PERCENT PROPERTY.—

"(1) IN GENERAL.—For purposes of subparagraph (A), property is 50 percent property, 40 percent property, or 30 percent property if the projected energy usage of such property is reduced by 50 percent, 40 percent, or 30 percent, respectively, compared to the energy usage of a reference house that complies with minimum standard practice, such as the 1998 International Energy Conservation Code of the International Code Council, as determined according to the requirements specified in clause (ii).

"(ii) PROCEDURES.—

"(1) IN GENERAL.—For purposes of clause (i), energy usage shall be determined either by a component-based approach or a performance-based approach.

"(ii) COMPONENT APPROACH.—Compliance by the component approach is achieved when all of the components of the house comply with the requirements of prescriptive packages established by the Secretary of Energy in consultation with the Administrator of the Environmental Protection Agency, such that they are equivalent to the results of using the performance-based approach of subclause (III) to achieve the required reduction in energy usage.

"(iii) PERFORMANCE-BASED APPROACH.—Performance-based compliance shall be demonstrated in terms of the required percentage reductions in projected energy use. Computer software used in support of performance-based compliance must meet all of the standards and methods for calculating energy savings reductions that are promulgated by the Secretary of Energy. Such regulations and specifications for software shall be based in the 1998 California Residential Alternative Certification Method Approval Manual, except that the calculation procedures shall be developed such that the same energy efficiency measures qualify a home for tax credits regardless of whether the home uses a gas or oil furnace or boiler, or an electric heat pump.

"(D) COMPLIANCE.—

"(1) IN GENERAL.—The Secretary of Energy in consultation with the Secretary of the Treasury shall establish requirements for certification and compliance procedures after examining the requirements for energy conserving materials and housing procedures specified by the Mortgage Industry National Accreditation Procedures for Home Energy Rating Systems.

"(E) INDIVIDUALS QUALIFIED TO DETERMINE COMPLIANCE.—Individuals qualified to determine compliance shall be only those individuals who are recognized by an organization certified by the Secretary of Energy for such purposes.

"(F) PRINCIPAL RESIDENCE.—The term ‘principal residence’ has the same meaning as used in section 121, except that the period for which a building is treated as the principal residence of the taxpayer shall also include the 60-day period ending on the 1st day of the month in which it would appear in a tax return filed by the person for whom such determination was performed. Determinations of compliance filed with the Secretary of Energy shall be available for inspection by the Secretary.

"(G) SPECIAL RULES.—For purposes of this section:

"(1) DOLLAR AMOUNTS IN CASE OF JOINT OCCUPANCY.—In the case of any dwelling unit which if jointly occupied and used during any calendar year as a residence by 2 or more individuals the following shall apply:

"(A) The amount of the credit allowable under the subsection (a)(1) by such individuals for expenditures made during such calendar year by any of such individuals with respect to such dwelling unit shall be determined by treating each such individual as 1 taxpayer whose taxable year is such calendar year.

"(B) There shall be allowed with respect to such expenditures to each of such individuals, a credit under subsection (a) for the taxable year in which such calendar year ends in an amount which bears the same ratio to the amount determined under subparagraph (A) as the amount of such expenditures made by such individual during such calendar year bears to the aggregate of such expenditures made by all of such individuals during such calendar year.

"(2) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—In the case of an individual who is a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), such individual shall be treated as having made his proportionate share of any expenditures (as defined in section 216(b)(3)) of any expenditures of such corporation.

"(3) CONDOMINIUMS.—

"(A) IN GENERAL.—In the case of an individual who is a member of a condominium management association with respect to a condominium which he owns, such individual shall be treated as having made his proportionate share of any expenditures of such association.
taken into account under section 179 or 179A. subsection (a) is amended by inserting "and" at the end of paragraph (26), by striking the period at the end of paragraph (27) and adding a period at the end of paragraph (28).''

(2) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25A the following:

"Sec. 25B. Nonbusiness energy property."

c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures after December 31, 1999.

title III—Alternative Fuels

SEC. 301. Allocation of Alcohol Fuels Credit to Patrons of a Cooperative. (a) In General.—Section 40(d) (relating to alcohol used as fuel) is amended by adding at the end the following:

"(6) Allocation of Small Ethanol Production Credit to Patrons of Cooperative.—(A) In General.—In the case of a cooperative organization described in section 1381(a), any portion of the credit determined under subsection (a)(3) for the taxable year may, at the election of the organization made on a timely filed return (including extensions) for such year, be apportioned among patrons of the organization on the basis of the quantity or value of business done with or for such patrons for the taxable year. Such portion which would (but for this paragraph) be included in the amount determined under section 40(d)(6)(A)(i) shall not be included in the amount determined under section 40(d)(6)(A)(ii) for such taxable year.

(B) Treatment of Organizations and Patrons.—The amount of the credit apportioned to patrons pursuant to subparagraph (A)—

(i) shall not be included in the amount determined under subsection (a) for the taxable year of the organization, and

(ii) shall be included in the amount determined under subsection (a) for the taxable year of each patron in which the patronage dividend for the taxable year referred to in subparagraph (A) is includible in gross income.

(C) Special Rule for Increasing Credit for Taxable Year.—If the amount of the credit of a cooperative organization determined under subsection (a)(3) for a taxable year is less than the amount of such credit shown on the cooperative organization’s return for such year, an amount equal to the excess of such reduction over the amount not apportioned to the patrons under subparagraph (A) shall be treated as an increase in tax imposed by this chapter on the organization. Any such increase shall not be treated as tax imposed by this chapter for determining the amount of any credit under this subpart or subpart A, B, E, or G of this part."
basis which is properly attributable to such recon-struction or the credit allowed under section 48B may be carried back to a taxable year (other than the carry-back year) to another person for the construction of the qualifying clean coal technology facility and the increase in tax shall be an amount equal to the investment tax credit allowed under section 38 regarding a qualifying clean coal technology facility.

"(d) TRANSITIONAL RULE.—Section 39(d) of the Internal Revenue Code of 1986 (relating to transitional rules), as amended by section 101(c)(2), is amended by adding at the end the following:

"(10) NO CARRYBACK OF SECTION 48B CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the qualifying clean coal technology facility credit determined under section 48B may be carried back to a taxable year ending before the date of enactment of this paragraph."

"(e) CREDIT ALLOWED AGAINST MINIMUM TAX.—

"(1) IN GENERAL.—Section 38(c) of the Internal Revenue Code of 1986 (relating to limitation on amount of tax), as amended by section 101(b)(1), is amended by redesignating paragraph (4) as paragraph (5) and by inserting before such paragraph the following:

"(4) SPECIAL RULES FOR CLEAN COAL TECHNOLOGY CREDIT.—

"(ii) that is acquired through purchase (as defined by section 179(d)), or

"(B) that is deductible under section 167,

"(C) that has a useful life of not less than 4 years, and

"(D) that is used for qualifying clean coal technology.

For purposes of subparagraph (A) of paragraph (1)—

"(A) is originally placed in service by a person,

"(B) is sold and leased back by such person, or is leased to such person, within 3 months after the date such facility was originally placed in service, for a period of not less than 12 years, such facility shall be treated as originally placed in service not earlier than the date on which such property is used under the lease-back (or lease) referred to in subparagraph (B). The preceding sentence shall not apply in the case of any turbine or other component of a qualifying clean coal technology facility which is being constructed by or for the taxpayer when it is not placed in service. Such an election, once made, may be revoked only with the consent of the Secretary.

"(5) QUALIFYING CLEAN COAL TECHNOLOGY.—For purposes of paragraph (1)—

"(A) IN GENERAL.—The term ‘qualifying clean coal technology’ means, with respect to tax-able year) to capital account with respect to such property.

"(B) NON-SELF-CONSTRUCTED PROPERTY.—In the case of non-self-constructed property, the term ‘qualified progress expenditures’ means the amount paid during the taxable year to another person for the construction of such property.

"(C) CONSTRUCTION.—The term ‘construction includes reconstruction and erection, and the term ‘constructed’ includes re-

more than 0.33 pounds of carbon per kilowatt hour, or

"(ii) natural gas-fired combustion tech-}

"tion, the input to and the design average annual net heat rate of not more than 8,550 Btu’s per kilowatt hour.

"(E) DESIGN AVERAGE NET HEAT RATE.—The term ‘design average net heat rate’ shall be based on the design average annual heat input to and the design average annual net electrical output from the qualifying clean coal technology facility for the taxable year and, for purposes of this paragraph, shall be treated as the co-generation of steam.

"(F) SELECTION CRITERIA.—Selection cri-

"(i) shall be established by the Secretary of Energy as part of a competitive solicita-

"(ii) shall include primary criteria of min-

"(iii) shall include supplemental criteria as determined appropriate by the Secretary of Energy.

"(c) QUALIFIED INVESTMENT.—For purposes of this subsection—

"(A) is sold and leased back by such per-

"(B) EXCEPTIONS.—Such term shall not in-

"(C) CLEAN COAL TECHNOLOGY.—The term ‘clean coal technology’ means advanced technology that utilizes coal to produce 50 percent or more of its thermal output as electricity including advanced pulverized coal or atmospheric fluidized bed combustion, pressurized fluidized bed combustion, integrated gasification combined cycle, and any other technology for the production of electricity that exceeds the performance of conventional coal technology.

"(D) CONVENTIONAL TECHNOLOGY.—The term ‘conventional technology’ means—

"(i) coal-fired combustion technology with a design average net heat rate of not less than 9,300 Btu’s per kilowatt hour (HHV) and a carbon equivalents emission rate of not
"(A) IN GENERAL.—In the case of the qualifying clean coal technology facility credit—

"(i) this section and section 39 shall be applied separately with respect to the credit, and

"(ii) in applying paragraph (1) to the credit—

"(I) subparagraph (A) shall not apply, and

"(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the credits described in this paragraph and paragraphs (2) and (3)).

"(B) QUALIFYING CLEAN COAL TECHNOLOGY FACILITY CREDIT.—For purposes of this paragraph, the term ‘qualifying clean coal technology facility credit’ means the portion of the credit under subsection (a) which is attributable to the credit determined under section 48B.

(2) CONFORMING AMENDMENT.—Section 38(c)(2)(A)(ii)(II) of such Code, as amended by section 101(b)(2), is amended by striking ‘‘(other than the credits described in this paragraph and paragraph (3))’’ and inserting ‘‘(other than the credits described in this paragraph and paragraphs (3) and (4))’’.

(f) TECHNICAL AMENDMENTS.—

(1) Section 48(a)(1)(C) is amended by striking ‘‘and’’ at the end of clause (1), by striking the period at the end of clause (iii) and inserting ‘‘, and’’, and by adding at the end the following:

(iv) the portion of the basis of any qualifying clean coal technology facility attributable to any qualified investment (as defined below) which is attributable to the credit determined under section 48B.

(2) Section 50(a)(4) is amended by striking ‘‘and (2)’’ and inserting ‘‘, (2)’’.

(3) The table of sections for subpart E of part IV of chapter A of chapter 1, as amended by section 101(e), is amended by inserting after the item relating to section 48A the following:

‘‘Sec. 48B. Qualifying clean coal technology facility credit.’’

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 1999, and before January 1, 2010, in a manner similar to the application of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1989)."
“(3) BIOMASS.—The term ‘biomass’ means—
(A) any organic material other than—
(i) oil and natural gas (or any product thereof), and
(ii) coal (including lignite) or any product thereof, and
(B) any solid, nonhazardous, cellulosic waste material, which is segregated from other waste materials, and which is derived from—
(i) any of the following forest-related resources: mill residues, precommercial thinnings, slash, and brush, but not including old growth thinnings, and
(ii) urban sources, including waste pallets, crates, and dunnage, manufacturing and construction wood wastes, and landscape or right-of-way tree trimmings, but not including unsegregated municipal solid waste (garbage), or
(iii) agricultural sources, including orchard tree crops, vineyard, grain, legumes, poultry litter, animal manure, sugar, and other crop by-products or residues.”

(2) EFFECTIVE DATE.—The amendment made by this section shall apply to production after the date of the enactment of this Act.

SEC. 602. CREDIT FOR CAPTURE OF COALBED METHANE GAS.—

(a) CREDIT FOR CAPTURE OF COALBED METHANE GAS.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits), as amended by section 502(a), is amended by adding at the end the following:

“SEC. 45E. CREDIT FOR CAPTURE OF COALBED METHANE GAS.—

“For purposes of section 38, the coalbed methane gas capture credit of any taxpayer for any taxable year is $10 for each ton of carbon-equivalent coalbed methane gas captured by the taxpayer during such taxable year.”

(b) CREDIT TREATED AS BUSINESS CREDIT.—

Section 38(b) (relating to current year business-related credits), as amended by section 502(b), is amended by adding at the end the following:

“(1) IN GENERAL.—For purposes of section 38, the coalbed methane gas capture credit determined under section 45E(a) is treated as a business credit.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to production after the date of the enactment of this Act.

SEC. 702. REPEAL CERTAIN ADJUSTMENTS BASED ON ADJUSTED CURRENT DEPLETION METHODS RELATING TO OIL AND GAS ASSETS.

(a) INTANGIBLE DRILLING COSTS.—Clause (i) of section 656(b)(1)(D) (relating to other earnings and profits adjustments) is amended by inserting “plus” at the end of such paragraph, and by striking “; plus”, and by adding at the end the following:

“(15) the re-refined lubricating oil production credit determined under section 45F(a).”

(c) CREDENTIAL AMENDMENT.—The table of sections for part D of part IV of subchapter A of chapter 1, as amended by section 502(e), is amended by adding at the end the following:

“Sec. 45F. Credit for producing re-refined lubricating oil.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to production after the date of the enactment of this Act.

TITLE VII—OIL AND GAS PRODUCTION

SEC. 701. CREDIT FOR PRODUCTION OF RE-FINED LUBRICATING OIL.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits), as amended by section 602(a), is amended by adding at the end the following:

“SEC. 45F. CREDIT FOR PRODUCING RE-FINED LUBRICATING OIL.—

“(a) GENERAL RULE.—For purposes of section 38, the re-refined lubricating oil production credit of any taxpayer for any taxable year is equal to $4.05 per barrel of qualified re-refined lubricating oil production which is attributable to the taxpayer (within the meaning of section 29(d)(3)).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.”

(b) Depletion.—Clause (ii) of section 656(g)(4)(F) (relating to depletion) is amended to read as follows:

“(ii) EXCEPTION FOR OIL AND GAS WELLS.—In the case of any taxable year beginning after December 31, 1999, clause (i) (and subparagraph (C)(i)) shall not apply to any deduction for depletion computed in accordance with section 613A.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 202. 10-YEAR CARRYBACK FOR PERCENTAGE DEPLETION FOR OIL AND GAS PRODUCED.—

(a) IN GENERAL.—Subsection (d)(1) of section 613A (relating to limitations on percentage depletion in case of oil and gas wells) is amended by inserting “; and” at the end of paragraph (3) and by striking “(4)” and “and” at the end of such paragraph.”

(b) Depletion.—Clause (ii) of section 656(g)(4)(F) (relating to depletion) is amended to read as follows:

“(ii) exceptions for oil and gas wells.—In the case of any taxable year beginning after December 31, 1999, clause (i) (and subparagraph (C)(i)) shall not apply to any deduction for depletion computed in accordance with section 613A.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999, and to any taxable year beginning on or before the last day of the carryback period (as defined in section 656(a)(1)) in which such election was made. Such election made in any taxable year may be revoked in the next succeeding taxable year in such manner as the Secretary may prescribe.

(d) ALLOCATION OF DISALLOWED AMOUNTS.—For purposes of basis adjustments and determining whether cost depletion exceeds percentage depletion with respect to the production from a property, any amount disallowed as a deduction on the application of this paragraph shall be allocated to the respective properties from which the oil or gas was produced in proportion to the percentage depletion otherwise allowable to such properties under subsection (c).”

(e) EFFECTIVE DATE.—The amendment by this section shall apply to taxable years beginning after December 31, 1999, and to any taxable year beginning on or before the last day of the carryback period (as defined in section 656(a)(1)) in which such election was made. Such election made in any taxable year may be revoked in the next succeeding taxable year in such manner as the Secretary may prescribe.

(title)

TITLE VIII—RENEWABLE POWER GENERATION

SEC. 501. CREDIT FOR INVESTMENT IN PHOTOVOLTAIC AND WIND PROPERTY MANUFACTURING FACILITIES.

(a) ALLOWANCE OF PHOTOVOLTAIC AND WIND PROPERTY MANUFACTURING FACILITY CREDIT.—Section 46 (relating to amount of credit), as amended by section 501(a), is amended by striking “and” at the end of paragraph (3), in the case of a plant, and by striking “and” at the end of paragraph (4) and inserting “; and”, and by adding at the end the following:

“(A) IN GENERAL.—The deduction for the tax year attributable to the application of subsection (c) shall not exceed so much of the taxpayer’s taxable income for the year as the taxpayer elects under subparagraph (B)(iii) computed without regard to section 46(b)(3) and section 61(d) of the Internal Revenue Code of 1986 (as added by subsection (a)).

(b) LIQUIDATION CREDIT PROVISIONS.—The provisions of subsection (c), relating to the liquidation of the credit described in subsection (a), shall apply to any credit attributable to the taxable year under section 46(b)(3).

(c) EFFECTIVE DATE.—Section 46(c) and the amendments made by this section shall apply to taxable years beginning after December 31, 1999, and to any taxable year beginning on or before the last day of the carryback period (as defined in section 656(a)(1)) in which such election was made. Such election made in any taxable year may be revoked in the next succeeding taxable year in such manner as the Secretary may prescribe.

(d) ALLOCATION OF DISALLOWED AMOUNTS.—For purposes of basis adjustments and determining whether cost depletion exceeds percentage depletion with respect to the production from a property, any amount disallowed as a deduction on the application of this paragraph shall be allocated to the respective properties from which the oil or gas was produced in proportion to the percentage depletion otherwise allowable to such properties under subsection (c).”

(e) EFFECTIVE DATE.—The amendment by this section shall apply to taxable years beginning after December 31, 1999, and to any taxable year beginning on or before the last day of the carryback period (as defined in section 656(a)(1)) in which such election was made. Such election made in any taxable year may be revoked in the next succeeding taxable year in such manner as the Secretary may prescribe.

(title)
(5) the photovoltaic or wind property manufacturing facility credit.

(b) AMOUNT OF CREDIT.—Subpart E of part IV of subchapter A of chapter 1 (relating to rules for computing investment credit), as amended by section 501(b), is amended by inserting after section 48B the following:

"SEC. 48C. PHOTOVOLTAIC OR WIND PROPERTY MANUFACTURING FACILITY CREDIT.

"(a) IN GENERAL.—For purposes of section 48C, the photovoltaic or wind property manufacturing facility credit for any taxable year is an amount equal to 5 percent of the qual-ified investment in a photovoltaic or wind property manufacturing facility for such taxable year.

"(b) PHOTOVOLTAIC OR WIND PROPERTY MANUFACTURING FACILITY.—

"(1) IN GENERAL.—For purposes of subsection (a), the term 'photovoltaic or wind property manufacturing facility' means a facility of the taxpayer—

"(A)(i) the original use of which commences with the taxpayer or the recon-struction of which is completed by the taxpayer (but only with respect to that portion of the basis which is properly attributable to such reconstruction), or

"(ii) that is acquired through purchase (as defined by section 179(d)(2)),

"(B) that is depreciable under section 167,

"(C) that has a useful life of not less than 4 years, and

"(D) that is used to manufacture photovoltaic or wind property.

"(2) SPECIAL RULE FOR SALE-LEASEBACKS.—For purposes of subparagraph (A) of paragraph (1), in the case of a facility that—

"(A) is originally placed in service by a person, and

"(B) is sold and leased back by such person, or is leased to such person, within 3 months after the date such facility was originally placed in service, for a period of not less than 12 years,

such facility shall be treated as originally placed in service not earlier than the date on which such property is used under the lease-back (or lease) referred to in subparagraph (B), The preceding sentence shall not apply to any property if the lessee and lessor of such property under the lease-back (or lease) referred to in such sentence agree in writing that such facility continues to be used by the same person as before the lease-back (or lease) referred to in such sentence, at the time the lease-back (or lease) referred to in such sentence ends.

(3) QUALIFIED PROGRESS EXPENDITURES DEFINED.—For purposes of this subsection—

"(A) SELF-CONSTRUCTED PROPERTY.—The term 'self-constructed property' means property which is not self-constructed property, (B) CONSTRUCTION, ETC.—The term 'construction' includes reconstruction and erection, and the term 'constructed' includes reconstructed and erected.

"(C) CONSTRUCTION OF PHOTOVOLTAIC OR WIND PROPERTY MANUFACTURING FACILITY TO BE TAKEN INTO ACCOUNT.—Construction shall be taken into account only if, for purposes of this subparagraph, expenditures therefor are properly chargeable to capital account with respect to the property.

"(D) ELECTION.—An election under this paragraph shall be made at such time and in such manner as the Secretary may by regulations prescribe. Such an election shall apply to the taxable year for which made and to all later taxable years in which the property is used. Such an election, once made, may not be revoked except with the consent of the Secretary.

"(3) PHOTOVOLTAIC OR WIND PROPERTY.—For purposes of paragraphs (1)(D)—

"(A) PHOTOVOLTAIC PROPERTY.—The term 'photovoltaic property' has the meaning given to such term by section 48A(d)(1)(D).

"(B) WIND PROPERTY.—The term 'wind property' has the meaning given to the term qualified wind energy systems property' by section 48A(d)(8).

"(c) QUALIFIED INVESTMENT.—For purposes of subsection (a), the term 'qualified investment' means, with respect to any taxable year, the basis of any photovoltaic or wind property manufacturing facility placed in service by the taxpayer during such taxable year in an aggregate amount of not less than $5,000,000.

"(d) QUALIFIED PROGRESS EXPENDITURES.—

"(1) INCREASE IN QUALIFIED INVESTMENT.—

In the case of a taxpayer who has made an election under paragraph (5), the amount of the qualified investment of such taxpayer for the taxable year (determined under subsection (c)) without regard to this section shall be increased by an amount equal to the aggregate of each qualified progress expenditure for the taxable year with respect to progress expenditure property.

"(2) PROGRESS EXPENDITURE PROPERTY DEFINED.—For purposes of this subsection, the term 'progress expenditure property' means any property being constructed by or for the taxpayer and which such facility would otherwise have been subject to depreciation. For purposes of the preceding sentence, the year of disposition of the photovoltaic or wind property manufacturing facility attributable to such property shall be treated as a year of remaining depreciation.

"(B) PROPERTY CHANGES TO QUALIFY FOR PROGRESS EXPENDITURES.—Rules similar to the rules of paragraph (2) shall apply in the case of qualified progress expenditures for a photovoltaic or wind property manufac-turing facility attributable to any property.

"(c) AMOUNT OF CREDIT.—Subpart E of part IV of subchapter A of chapter 1, as amended by section 48C, except that the amount of the increase in tax under subparagraph (A) of this paragraph shall be substituted in lieu of the amount described in such subparagraph (2).

"(d) APPLICATION OF PARAGRAPH.—This paragraph shall be applied separately with respect to the credit allowed under section 38 regarding a photovoltaic or wind property manufacturing facility.

"e) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 1999, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

"SEC. 49. MODIFICATIONS TO CREDIT FOR ELECTRICITY PRODUCED FROM RENEWABLE RESOURCES.

"(a) QUALIFIED FACILITIES INCLUDE ALL BIO-MASS FACILITIES.

"(1) IN GENERAL.—Subparagraph (B) of section 64(d)(1) (relating to credit for electricity produced from certain renewable resources) is amended to read as follows:

"(2) BIOMASS.—

"(B) MEANING DEFINED.—(Paragraph (2) of section 45(c) is amended to read as follows:

"(3) BIOMASS.—The term 'biomass' means—

"(A) any organic material from a plant which is planted exclusively for purposes of being used at a qualified facility to produce electricity, and

"(B) any solid, nonhazardous, cellulosic waste material which is segregated from other waste materials and which is derived from—

"(i) any of the following forest-related resources which has not been subjected to commercial thinnings, slash, and brush, but not including old-growth timber,

"(ii) urban sources, including waste pallets, crates, and lumber, and construction wood wastes, and landscape and right-of-way tree trimmings, but not including unsegregated municipal solid waste (garbage), and

"(iii) agriculture sources, including orchard tree crops, vineyard, grain, legumes,
SEC. 45C. PROPORTIONAL CREDIT FOR PRODUCING ELECTRICITY THROUGH CO-FIREF.

(a) In General.—Section 45(b) (relating to limitations and special rules) is amended by adding at the end the following:

"(4) the term 'qualified biomass-based generating system' means any facility using biomass to produce electricity, the term 'qualified facility' means any facility owned by the taxpayer which is originally placed in service after December 31, 1993, and placed in service before July 1, 2004.

(b) Extension and Modification of Placed in Service Rules.—Paragraph (3) of section 45(c) is amended by inserting at the end the following:

"(3) QUALIFIED FACILITY.—

"(A) WIND FACILITIES.—In the case of a facility using wind to produce electricity, the term 'qualified facility' means any facility owned by the taxpayer which is originally placed in service before July 1, 2004.

"(B) BIOMASS FACILITIES.—

"(i) IN GENERAL.—In the case of a facility using biomass to produce electricity, the term 'qualified facility' shall include a facility placed in service after December 31, 1993, and owned by the taxpayer which is originally placed in service before July 1, 2004.

"(ii) COMBINED PRODUCTION FACILITIES INCLUDED.—For purposes of clause (i), the term 'qualified facility' means any facility using biomass to produce electricity and ethanol.

"(C) SPECIAL RULES.—In the case of a qualified facility described in this subparagraph—

"(i) the 10-year period referred to in subsection (a) shall be treated as beginning no later than the date of the enactment of this Act, and

"(ii) subsection (b)(3) shall not apply to any such facility originally placed in service before July 1, 2004.

(c) Coordination With Other Credits.—Section 45(d) (relating to definitions and special rules) is amended by adding at the end the following:

"(6) the qualified biomass-based generating system facility credit.''

"SEC. 45D. QUALIFIED BIOMASS-BASED GENERATING SYSTEM Facility Credit.

"(a) In General.—For purposes of section 46, the qualified biomass-based generating system facility credit for any taxable year is an amount equal to 20 percent of the qualified investment in a qualified biomass-based generating system facility for such taxable year.

"(b) Coordination With Other Credits.—

"(1) the original use of which commences with the taxpayer or the reconstruction of which is completed by the taxpayer (but only with respect to that portion of the basis which is properly attributable to such reconstruction), or

"(2) that is acquired through purchase (as defined by section 179(d)(2)).

"(c) Election to Waive Credit.—

"(A) GENERAL RULE.—In lieu of the amount credited by reason of this subsection, the year of disposition of the qualified property shall be treated as a year of remaining basis.

"(B) Taxpayer and Recipient Defined.—For purposes of subparagraph (A), the term 'taxpayer' means the person who makes the election under paragraph (1), and the term 'recipient' means the person for whom the property is placed in service.
the rules of paragraph (2) shall apply in the case of energy production of a qualified biomass-based generating system facility under section 48D, except that the amount of the increase in tax under subparagraph (A) of this paragraph shall be substituted for the amount described in such paragraph.

(2) APPLICATION OF PARAGRAPH.—This paragraph shall apply separately with respect to the credit allowed under section 38 regarding a qualified biomass-based generating system facility.

(b) CONFORMING AMENDMENTS.—

(1) Section 48(a)(1)(C), as amended by section 801(d), is amended by striking "and" and "and" after the 10-year period described in subsection 25B the following new section:

SEC. 25C. PURCHASE OF RENEWABLE ENERGY PUBLIC POWER PRODUCTION.

(a) ALLOWANCE OF CREDIT.—In the case of any taxable year is equal to—

"(1) $50, multiplied by—

"(a) the taxpayer's renewable energy public power production amount.

(b) ELIGIBLE INDIVIDUAL.—For purposes of this section, the term 'eligible individual' means an individual who, pursuant to a written agreement, has purchased electricity from a renewable energy public power facility under a separate rate schedule for a single 10-year period.

(c) RENEWABLE ENERGY PUBLIC POWER FACILITY.—For purposes of this section, the term 'renewable energy public power facility' means, with respect to any taxable year, a facility which would have been eligible for a credit under section 48 for electricity produced during such year if such facility had been privately owned.

(d) RENEWABLE ENERGY PRODUCTION PERCENTAGE.—For purposes of this section, the renewable energy production percentage for any taxable year is equal to—

"(2) the taxpayer's renewable energy public power production amount divided by the amount of kilowatt hours of electricity purchased during the 10-year period described in subparagraph (b) and reported to the taxpayer by the renewable energy public power facility under the agreement described in such subsection.

(f) CARRYBACK OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under subsection (a) of part IV of chapter A (other than this section), such excess shall be carried to each succeeding taxable year.

(g) CARRYFORWARD OF UNUSED CREDIT.—If the credit allowable under subsection (a) for the taxable year (other than the credits described in this paragraph and paragraphs (2), (3), (4), and (5)) is attributable to the credit determined under section 45G(a).

(2) CONFORMING AMENDMENT.—Section 38(c)(2)(A)(i)(II), as amended by section 502(c)(2), is amended by striking "other than the credits described in this paragraph and paragraphs (3), (4), (5), and (6)", and by inserting "other than the credits described in this paragraph and paragraphs (3), (4), (5), and (6)".

(d) CLERICAL AMENDMENT.—Section 502(c)(2), as amended by section 801(d), is amended by inserting '', section 25C, and section 18256'' after ''other than this section''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into after December 31, 1999.

TITLE IX—STEELMAKING CAPACITY CREDIT

SEC. 901. CREDIT FOR ENERGY-EFFICIENT STEELMAKING CAPACITY.

(a) ALLOWANCE OF CREDIT—ENERGY-EFFICIENT STEELMAKING CAPACITY CREDIT.—Subpart D of part IV of subchapter A of chapter 1, as amended by section 801(d), is amended by inserting before the item relating to section 48B the following new item:

"SEC. 48D. QUALIFIED BIOMASS-BASED GENERATING SYSTEM FACILITY CREDIT.

"(c) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into after December 31, 1999.

SEC. 902. EXTENSION OF CREDIT FOR ELECTRICITY TO PRODUCTION FROM STEEL COGENERATION.

(a) EXTENSION OF CREDIT FOR ELECTRICITY TO PRODUCTION FROM STEEL COGENERATION FACILITIES.—Section 48(m) (defining qualified energy resources), as amended by section 801(d), is amended by striking ''and'' at the end of subparagraph (A) of paragraph (4). (b) ENERGY-EFFICIENT STEELMAKING CAPACITY CREDIT.—For purposes of this paragraph, the term 'energy-efficient steelmaking capacity credit' means the portion of the credit allowable under section 45G which is attributable to the credit determined under section 45G(a).

(c) CARRYBACK OF CREDIT.—In applying paragraph (1) to such credit—

"(1) subparagraph (A) shall not apply, and

"(2) the limitation under paragraph (1) (as modified by subsection (b)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the credits described in this paragraph and paragraphs (2), (3), (4), and (5)).

"(b) ENERGY-EFFICIENT STEELMAKING CAPACITY CREDIT.—For purposes of this paragraph, the term 'energy-efficient steelmaking capacity credit' means the portion of the credit allowable under section 45G which is attributable to the credit determined under section 45G(a).

"(C) Steel cogeneration.—

"(16) the energy-efficient steelmaking capacity credit determined under section 45G(a)."

(d) CREDIT ALLOWED AGAINST MINIMUM TAX.—

"(1) IN GENERAL.—Section 38(c) (relating to limitation based on amount of tax), as amended by section 802(c)(1), is amended by redesignating paragraph (6) as paragraph (7) and by inserting after paragraph (5) the following:

"(c) SPECIAL RULES FOR ENERGY-EFFICIENT STEELMAKING CAPACITY CREDIT.—

"(A) IN GENERAL.—In the case of the energy-efficient steelmaking capacity credit—

"(i) in applying paragraph (1) to such credit—

"(1) subparagraph (A) shall not apply, and

"(2) the limitation under paragraph (1) (as modified by subsection (b)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the credits described in this paragraph and paragraphs (2), (3), (4), and (5)).

"(B) ENERGY-EFFICIENT STEELMAKING CAPACITY CREDIT.—For purposes of this paragraph, the term 'energy-efficient steelmaking capacity credit' means the portion of the credit allowable under section 45G which is attributable to the credit determined under section 45G(a).

"(2) CONFORMING AMENDMENT.—Section 38(c)(2)(A)(i)(II), as amended by section 502(c)(2), is amended by striking "other than the credits described in this paragraph and paragraphs (3), (4), (5), and (6)", and by inserting "other than the credits described in this paragraph and paragraphs (3), (4), (5), and (6)".

"(b) EFFECTIVE DATE.—The amendments made by this section shall apply to production after the date of the enactment of this Act.
(d) CONFORMING AMENDMENTS.—
(1) The heading for section 45 is amended by inserting “and waste energy” after “renewable”.
(2) The item relating to section 45 in the table of sections part D of part IV of subchapter A of chapter 1 is amended by inserting “and waste energy” after “renewable”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to electric production in taxable years beginning after December 31, 2001, and before January 1, 2005.

TITLE X—AGRICULTURE

SEC. 1001. AGRICULTURAL CONSERVATION TAX CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 901(a), is amended by adding at the end the following:

“SEC. 45H. AGRICULTURAL CONSERVATION CREDIT.

“(a) IN GENERAL.—For purposes of section 38, in the case of an eligible person, the agricultural conservation credit determined under this section for the taxable year is an amount equal to—

“(1) 25 percent of the eligible conservation tillage equipment expenses, and

“(2) 20 percent of the eligible irrigation equipment expenses, paid or incurred by such person in connection with the active conduct of the trade or business of an farming for the taxable year.

“(b) ELIGIBLE PERSON.—For purposes of this section, the term ‘eligible person’ means, with respect to any taxable year, any person if the average annual gross receipts of such person for the 3 preceding taxable years does not exceed $1,000,000. For purposes of the preceding sentence, rules similar to the rules of section 446(f)(3) shall apply.

“(c) LIMITATION.—The amount of the credit allowed under subsection (a) for any taxable year shall not exceed $2,500 for each credit determined under paragraph (1) or (2) of such subsection.

“(d) DEFINITIONS.—For purposes of this section—

“(1) ELIGIBLE CONSERVATION TILLAGE EQUIPMENT EXPENSES.—

“(A) In General.—The term ‘eligible conservation tillage equipment expenses’ means the costs and direct costs of removal or taking substances disposed of at a facility owned or operated by such private foundation for the investigatory purposes of section 107 of such Act (42 U.S.C. 9607).”

(Ordained to lie on the table.)

Mr. ALLARD (for himself and Mr. ROBB) submitted an amendment to be proposed by him to the bill, S. 1429, supra; as follows:

At the end, add the following:

TITLE —SMALL BUSINESS AND FINANCIAL INSTITUTIONS TAX RELIEF

SEC. 1. EXPANSION OF S CORPORATION ELIGIBLE SHAREHOLDERS TO INCLUDE IRAS.

(a) IN GENERAL.—Section 1361(c)(2)(A) (relating to certain trusts permitted as shareholders) is amended by inserting after clause (v) the following:

“(vi) A trust which constitutes an individual retirement account under section 408(a), including one designated as a Roth IRA under section 408A.”

(b) TREATMENT AS SHAREHOLDER.—Section 1361(c)(2)(B) (relating to treatment as shareholders) is amended by adding at the end the following:

“(vi) In the case of a trust described in clause (vi) of subparagraph (A), the individual for whose benefit the trust was created shall be treated as a shareholder.”

(c) SALE OF STOCK IN IRA RELATING TO S CORPORATION ELECTION EXEMPT FROM PROHIBITED TRANSACTION RULES.—Section 4975(d) (relating to exceptions) is amended by inserting “or” after “effectively treated as” and inserting “or” after “constitutes an individual retirement account under section 408(a)”.

(Ordained to lie on the table.)

Mr. BUNNING submitted an amendment to be proposed by him to the bill, S. 1429, supra; as follows:

On page 268, between lines 3 and 4, insert the following:

SEC. 1. CERTAIN COSTS OF PRIVATE FOUNDATION IN REMOVING HAZARDOUS SUBSTANCES TREATED AS QUALIFYING DISTRIBUTION.

(a) IN GENERAL.—In the case of any taxable year beginning after December 31, 1999, the distributable amount of a private foundation for such taxable year for purposes of section 4942 of the Internal Revenue Code of 1986 shall be reduced (but not below zero) by any amount paid or incurred (or set aside) by such private foundation for the investigatory costs and direct costs of removal or taking remedial action with respect to a hazardous substance released at a facility which was owned or operated by such private foundation.

(b) LIMITATIONS.—Subsection (a) shall only apply to taxable years beginning after December 31, 1980, and

(Ordained to lie on the table.)

Mr. ALLARD (for himself and Mr. ROBB) submitted an amendment to be proposed by him to the bill, S. 1429, supra; as follows:

At the end, add the following:

This title may be cited as the “Small Business and Financial Institutions Tax Relief Act of 1999.”
SEC. 7. EXCLUSION OF INVESTMENT SECURITY INCOME FROM PASSIVE INCOME TEST FOR BANK S CORPORATIONS.

(a) In General.—Section 1361(d)(3)(C) (defining passive investment income) is amended by adding at the end the following:

“(v) Exception for banks; etc.—In the case of a bank (as defined in section 581) or a bank holding company, the term ‘passive investment income’ shall include—

(1) interest income earned by such bank, bank holding company, or qualified subsidiary bank, or

(2) dividends on assets required to be held by such bank, bank holding company, or qualified subsidiary bank to conduct a banking business, including stock in a bank, a bank holding company such as Home Loan Bank, or the Federal Agricultural Mortgage Bank or participation certificates issued by a Federal Intermediate Credit Bank.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 8. TREATMENT OF QUALIFYING DIRECTOR SHARES.

(a) In General.—Section 1361 is amended by adding at the end the following:

(1) Treatment of Qualifying Director Shares Defined.—

(A) Qualifying director shares shall not be treated as a second class of stock, and

(B) no person shall be treated as a shareholder of the corporation by reason of holding qualifying director shares.

(2) Qualifying Director Shares Defined.—For purposes of this subsection, the term ‘qualifying director shares’ means any shares of stock in a bank (as defined in section 581) or in a bank holding company registered as such with the Federal Reserve System—

(i) which are held by an individual solely by reason of his status as a director of such bank, bank holding company, or its controlled subsidiary; and

(ii) which are subject to an agreement pursuant to which the holder is required to dispose of such stock upon termination of the holder’s status as a director at the same price as the individual acquired such shares of stock.

(3) Distributions.—A distribution (not in part or full payment in exchange for stock) made by the corporation with respect to qualifying director shares shall be includable as ordinary income of the holder and deductible to the corporation as an expense in computing taxable income under section 1361(b) in the year such distribution is received.

(b) Conforming Amendments.—

(1) Section 1361(b)(1), as amended by section 6(b)(1), is amended by striking ‘‘(f)’’ and inserting “(f) and”.

(2) Section 1366(a), as amended by section 6(b)(2), is amended by adding at the end the following:

“(4) Allocation with respect to qualified preferred stock.—The holders of qualified preferred stock (as defined in section 1361(g)) shall not, with respect to such stock, be allocated any of the items described in paragraph (1).

(3) Section 1373(a)(3), as added by section 6(b)(3), is amended by inserting “or 1361(g)(3)” after “section 1361(f)”.

(4) Effective date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

Subtitle B—Revenue Offsets

SEC. 11. PREVENTION OF MISMATCHING OF DEDUCTIONS AND INCOME IN TRANSACTIONS WITH RELATED FOREIGN PERSONS.

(a) In General.—Paragraph (3) of section 267(a) (relating to losses, expenses, and interest with respect to transactions between related taxpayers) is amended to read as follows:

“(3) Payments to foreign persons.—

(A) In general.—If—

(i) a payment is to be made by a taxpayer using an accrual method of accounting to a foreign person,

(ii) such payment is not, as of the date accrued by the taxpayer if currently subject to tax under this chapter consistent with the purposes of this paragraph, allocable into other stock.

(4) Allocation with respect to qualified preferred stock.—The holders of qualified preferred stock (as defined in section 1361(g)) shall not, with respect to such stock, be allocated any of the items described in paragraph (1).

(5) Section 1373(a)(3), as added by section 6(b)(3), is amended by inserting “or 1361(g)(3)” after “section 1361(f)”.

(6) Effective date.—The amendments made by this section shall apply to taxable years beginning after December 31, 1999.

Subtitle C—Other Revenue Offsets

SEC. 12. HOLDING PERIOD REDUCED TO 12 MONTHS FOR PURPOSES OF DETERMINING WHETHER HORSES ARE SECTION 1231 ASSETS.

(a) In General.—Subparagraph (A) of section 1231(b)(3) (relating to definition of property used in the trade or business) is amended by striking “and horses”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

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MCCONNELL AMENDMENT NO. 1379

(Ordered to lie on the table.)

Mr. MCCONNELL submitted an amendment intended to be proposed by him to the bill. S. 1429, supra; as follows:

On page 268, between lines 3 and 4, insert the following:

SEC. 11. THE CADDIE RELIEF ACT.

(a) Short Title.—This section may be cited as the ‘‘Caddie Relief Act of 1999’’.

ABRAHAM AMENDMENT NO. 1380

(Ordered to lie on the table.)

Mr. ABRAHAM submitted an amendment intended to be proposed by him to the bill. S. 1429, supra; as follows:

At the appropriate place in title XI, insert the following:

SEC. 11. THE CADDIE RELIEF ACT.
(b) TREATMENT OF GOLF CADDIES.

(1) In section 103 of the Internal Revenue Code of 1986 (relating to treatment of real estate agents and direct sellers) is amended by striking “qualified real estate agent or as a direct seller” and inserting “qualified real estate agent, direct seller, or golf caddie.”

(2) DEFINITION.—Subsection (b) of section 3508 of such Code is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

“(3) Golf CADDIE.—The term “golf caddie” means an individual who performs the service of carrying golf clubs for, or otherwise assisting, a non-professional golfer and, with respect to whom, substantially all the remuneration (whether or not paid in cash) for the performance of such service is—

“(A) directly related to performing such services rather than to the number of hours worked, and

“(B) paid to such individual directly by the golfer or by a third party as an agent of the golfer where the third party incurs no obligation itself to pay such remuneration.”.

(3) CLERICAL AMENDMENTS.

(A) The heading of section 3508 of such Code is amended to read as follows:

“SEC. 3508. TREATMENT OF REAL ESTATE AGENTS, DIRECT SELLERS, AND GOLF CADDIES.”.

(B) The item relating to section 3508 in the table of sections for chapter 25 of such Code is amended to read as follows:

“Sec. 3508. Treatment of real estate agents, direct sellers, and golf caddies.”.

(4) EFFECTIVE DATE.—The amendments made by this section shall be treated as accruing to the State.

Helm’s Amendment Nos. 1381–1382

(Ordered to lie on the table.)

Mr. HELMS. Mr. President, it is my understanding that, as amended, this section is being inserted as an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT No. 1381

On page 371, between lines 16 and 17, insert the following:

SEC. 3. TAX TREATMENT OF STATE ACQUISITION OF RAILROAD REAL ESTATE INVESTMENT TRUST.

(a) In General.—If a State acquires all of the outstanding stock of a real estate investment trust which is a non-operating class III railroad and substantially all of the activities of which consist of the ownership, leasing, and operation by such trust of facilities, equipment, and other property used by the trust or other persons in railroad transportation, then, for purposes of section 115 of the Internal Revenue Code of 1986—

(1) such activities shall be treated as the exercise of an essential governmental function, and

(2) income derived from such activities shall be treated as income from a governmental activity of the State.

(b) GAIN OR LOSS NOT RECOGNIZED ON CONVERSION.—Notwithstanding section 357(d) of the Internal Revenue Code of 1986, no gain or loss shall be recognized under section 366 or 377 of such Code because of the change of status of the real estate investment trust to a tax-exempt entity by reason of the application of section 1401(a).

(c) TAX-EXEMPT FINANCING.—Any obligation issued by the entity described in subsection (a) shall be treated as an obligation incurred in, or pursuant to the acquisition described in subsection (a) that is meeting the requirements of section 103 and part IV of subchapter B of chapter 1 of the Internal Revenue Code of 1986.

(d) DEFINITIONS.—For purposes of this section—

(1) REAL ESTATE INVESTMENT TRUST.—The term “real estate investment trust” has the meaning given such term by section 856(a) of the Internal Revenue Code of 1986.

(2) NON-OPERATING CLASS III RAILROAD.—The term “non-operating class III railroad” has the meaning given such term by part A of subchapter G of chapter 1 of the Internal Revenue Code of 1986.

(3) STATE.—The term “State” includes—

(A) the District of Columbia and any possession of the United States, and

(B) any authority, agency, or public corporation of a State.

(e) APPLICABILITY.—This section shall apply on and after the date of any acquisition described in subsection (a).

AMENDMENT No. 1382

At the end of title XI, insert the following:

SEC. 48. CREDIT FOR DRY CLEANING EQUIPMENT USING REDUCED AMOUNTS OF HAZARDOUS SUBSTANCES, REVENUE OFFSET.

(a) Credit.—

(1) In general.—Section 46 (relating to amount of investment credit) is amended by striking “and” at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting “, and”, and by adding at the end thereof the following paragraph:

“(4) the dry cleaning equipment credit.”.

(2) Dry cleaning equipment credit.—Section 48 is amended by striking at the end the following new subsection:

“(c) Dry cleaning equipment using reduced amounts of hazardous substances.—

“(1) In general.—For purposes of section 46, the dry cleaning equipment credit for any taxable year is 20 percent of the basis of each qualified dry cleaning property placed in service during the taxable year.

“(2) Limitation.—The credit under this subsection for the taxable year shall apply to only one qualified dry cleaning property placed in service during such year at each business premise of the taxpayer.

“(3) Qualified dry cleaning property.—For purposes of this subsection, the term “qualified dry cleaning property” means equipment designed primarily to dry clean clothing and other fabric if—

“(A) such equipment does not use any hazardous solvent as the primary process solvent,

“(B) the original use of such property commenced with the taxpayer, and

“(C) with respect to which depreciation (or amortization in lieu of depreciation) is allowable.

“(4) Hazardous solvent.—For purposes of paragraph (3)–

“(A) In general.—The term ‘hazardous solvent’ means any solvent any portion of which consists of, or contains, a petroleum-based solvent, any other hazardous or regulated substance.

“(B) Exception.—Such term shall not include any solvent—

“(i) not more than 10 percent of which consists of petroleum or petroleum derivatives, and

“(ii) which does not contain any substance determined by the Administrator of the Environmental Protection Agency, the Director of the National Institute for Occupational Safety and Health, the Director of the National Institute of Environmental Health Sciences’ National Toxicology Program, or the director of any other appropriate Federal agency to possess—

“(I) carcinogenic potential in humans, or

“(II) bioaccumulative properties.”

(B) Clarification of Coordination of Expense Allocation Regulations and Treaties of the United States.

(1) In general.—In the case of any nonresident alien individual or foreign corporation having a permanent establishment in the United States, the allocation of items with respect to the permanent establishment in accordance with Treasury Regulation §1.661-8 or §1.662-5 shall not be treated as inconsistent with any treaty of the United States.

(2) Effective date.—

(A) In general.—This subsection shall apply to taxable years beginning on, or after the date of the enactment of this Act.

(B) Exception.—This subsection shall not apply to any taxpayer for any taxable year beginning on or before such date of enactment if—

(i) there has been a decision by a Federal court on or before such date reaching a result inconsistent with the provisions of this subsection, and

(ii) such decision is not overturned on appeal.

Kennedy Amendment No. 1383

(Ordered to lie on the table.)

Mr. KENNEDY submitted an amendment intended to be proposed by him to the bill, S. 1429, supra; as follows:

On page 371, between lines 16 and 17, insert the following:

SEC. 4. FAIR MINIMUM WAGE.

(a) Short Title.—This section may be cited as the “Fair Minimum Wage Act of 1999”.

(b) Minimum Wage Increase.—

(1) Wage.—Paragraph (1) of section 6(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

“(1) except as otherwise provided in this section, not less than—

“(A) $5.65 an hour during the year beginning on September 1, 1999; and

“(B) $5.85 an hour beginning on September 1, 2000.’’.

(2) Effective date.—The amendment made by paragraph (1) takes effect on September 1, 1999.

(c) Applicability of Minimum Wage to the Commonwealth of the Northern Mariana Islands.—The provisions of section 6 of the Fair Labor Standards Act of 1938 (29 U.S.C. 206) shall apply to the Commonwealth of the Northern Mariana Islands.
MOYNIHAN (AND OTHERS)

AMENDMENT NO. 1384

Mr. MOYNIHAN (for himself, Mr. BAUCUS, Mr. ROBB, Mr. ROCKEFELLER, Mr. BREAUX, Mr. CONRAD, Mr. GRAHAM, Mr. BRYAN, Mr. KERREY, and Mr. ROBB) proposed an amendment to the bill, S. 1429, supra; as follows:

Strike all after the first word and insert:

1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the “Tax and Public Debt Reduction Act of 1999”.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) SECTION IS NOT TO APPLY.—No amendment made by this Act shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

(d) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—TAX RELIEF FOR WORKING FAMILIES

Sec. 101. Increase in standard deduction.
Sec. 102. Deduction for two-earner married couples.

TITLE II—HEALTH CARE

AFFORDABILITY AND ACCESSIBILITY

Sec. 201. Deduction for 100 percent of health insurance costs of self-employed individuals.
Sec. 202. Refundable credit for health insurance costs of employees.
Sec. 203. Deduction for premiums for long-term care insurance.
Sec. 204. Long-term care tax credit.
Sec. 205. Credit for clinical testing research expenses attributable to certain qualified academic institutions including teaching hospitals.
Sec. 206. Treatment of certain hospital support organizations as qualified organizations for purposes of determining acquisition indebtedness.
Sec. 207. Technical amendments related to Vaccine Injury Compensation Trust Fund.

TITLE III—ESTATE TAX PROVISIONS

Sec. 301. Increase in unified estate and gift tax credit.
Sec. 302. Increase in estate tax deduction for family-owned business interest.

TITLE IV—ALTERNATIVE MINIMUM TAX REFORMS

Sec. 401. Allowance of nonrefundable personal credits fully against regular tax liability.
Sec. 402. Repeal of foreign tax credit limitation under alternative minimum tax.
Sec. 403. Income averaging for farmers not to increase alternative minimum tax liability.
Sec. 404. Long-term unused credits allowed against minimum tax.

TITLE V—EXTENSION OF EXPIRING INCENTIVES

Sec. 501. Work opportunity credit and welfare-to-work credit.
Sec. 502. Electricity produced from certain nonrecoverable resources credit.
Sec. 503. Subpart F exemption for active financing income.

Sec. 504. Extension of expensing of environmental rehabilitation costs.
Sec. 505. Virgin Islands and Puerto Rico rum cover over.
Sec. 506. Modifications of Puerto Rican economic activity credit.

TITLE VI—QUALITY EDUCATION INITIATIVES

Sec. 601. Expansion of incentives for public schools.
Sec. 602. Modifications to qualified tuition programs.
Sec. 603. Elimination of 60-month limit on student loan interest deductibility.
Sec. 604. Additional increase in arbitrage rebate exception for governmental bonds used to finance educational facilities.
Sec. 605. Treatment of qualified public education facility bonds as exempt facility bonds.
Sec. 606. Permanent extension of exclusion for employer-provided educational assistance.
Sec. 607. Expansion of deduction for contributions to retirement plans.
Sec. 608. Credit for information technology training program expenses.
Sec. 609. Charitable contributions to certain low income schools may be made in next taxable year.
Sec. 610. Exclusion of National Service Educational Awards.

TITLE VII—ENVIRONMENTAL CONSERVATION AND PROTECTION

Subtitle A—Better America Bonds
Sec. 701. Credit for holders of Better America bonds.
Sec. 702. Better America Bonds Board.

Subtitle B—Conservation Incentives
Sec. 711. Tax exclusion for cost-sharing payments under Partners for Wildlife Program.
Sec. 712. Enhanced deduction for the donation of a conservation easement.
Sec. 713. National wildlife refuge conservation easements.
Sec. 714. Exclusion of 50 percent of gain on sales of land or interests in land or water to eligible entities for conservation purposes.

Subtitle C—Alternative Fuels Incentives
Sec. 721. Extension and expansion of credit for purchase of electric vehicles.
Sec. 722. Additional deduction for cost of installation of alternative fuels stations.
Sec. 723. Credit for retail sale of clean burning fuels as motor vehicle fuel.

Subtitle C—Other Provisions
Sec. 731. Expansion of section 29 tax credit.
Sec. 732. Uniform dollar limitation for all types of transportation fringe benefits.

TITLE VIII—SAVINGS AND PENSION PROVISIONS

Subtitle A—Expanding Coverage for Small Business
Sec. 801. Plan loans for subchapter S owners, partners, and sole proprietors.
Sec. 802. Contributions to IRAs through payroll deductions.
Sec. 803. Modification of top-heavy rules.
Sec. 804. Credit for small employer pension plan contributions and start-up costs.
Sec. 805. Increasing limits for deferrals to simple plans.

Subtitle B—Increasing Pension Access and Fairness for Women
Sec. 811. Equitable treatment for contributions of employees to defined contribution plans.
Sec. 812. Faster vesting of certain employer matching contributions.
Sec. 813. Deferred annuities for surviving spouses of Federal employees.
Sec. 814. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
Sec. 815. Spouses’ rights to know proposal.

Subtitle C—Increasing Portability of Pension Plans
Sec. 821. Rollovers allowed among various types of plans.
Sec. 822. Rollovers of IRAs into workplace retirement plans.
Sec. 823. Rollovers of after-tax contributions.
Sec. 824. Hardship exception to 60-day rule.
Sec. 825. Treatment of forms of distribution.
Sec. 826. Rationalization of restrictions on distributions.
Sec. 827. Purchase of service credit in governmental defined benefit plans.
Sec. 828. Employers may disregard rollovers for purposes of cash-out amounts.

Subtitle D—Strengthening Pension Security and Enforcement
Sec. 831. Treatment of multiemployer plans under section 415.
Sec. 832. Extension of missing participants program to multiemployer plans.
Sec. 833. Civil penalties for breach of fiduciary responsibility.
Sec. 834. Failure to provide notice by defined benefit plans significantly reducing future benefit accruals.

Subtitle E—Encouraging Retirement Education
Sec. 841. Periodic pension benefits Statement.
Sec. 842. Clarification of treatment of employer-provided retirement advice.

Subtitle F—Reducing Red Tape
Sec. 851. ESOP dividends may be reinvested without loss of dividend deduction.
Sec. 852. Reduced PBGC premium for new plans of small employers.
Sec. 853. Reduction of additional PBGC premium for new plans.
Sec. 854. Elimination of user fee for requests to IRS regarding new pension plans.
Sec. 855. Distributional analysis of pension tax benefits.

Subtitle G—Other Provisions
Sec. 861. Tax credit for matching contributions to Individual Development Accounts.
Sec. 862. Federal employer retirement contributions.
Sec. 863. Exclusion from income of severance payment amounts.

Subtitle H—Plan Amendments
Sec. 871. Provisions relating to plan amendments.

TITLE IX—FARM RELIEF AND ECONOMIC DEVELOPMENT
Sec. 901. Farm and ranch risk management accounts.
Sec. 1001. Permanent extension and modification of research credit.
Sec. 1002. New markets tax credit.
Sec. 1003. Tax-exempt bond financing of certain small businesses.
Sec. 1004. Increase in volume cap on private activity bonds.
Sec. 1005. Spaceports treated like airports.
Sec. 1006. Increase in expense treatment for small businesses.
Sec. 1101. Oil and gas incentives.
Sec. 1102. Treatment of certain revenues of certain means-tested programs.
Sec. 1103. Tax-exempt bond financing of certain small businesses.
Sec. 1104. Modifications to special rules for nuclear decommissioning costs.
Sec. 1105. Modification of dependent care credit.
Sec. 1106. Allowance of credit for employer expenses for child care assistance.
Sec. 1107. Recovery period for depreciation of certain leasehold improvements.
Sec. 1108. Exemption from income tax for State-created organizations providing property and casualty insurance for property for which such coverage is otherwise unavailable.
Sec. 1109. Disclosure of tax information to facilitate combined employment tax reporting.
Sec. 1110. Increase in limit on certain charitable contributions as percentage of AGI.
Sec. 1111. Low-income second mortgage tax credit.
Sec. 1112. Coordination of child tax credit and earned income credit with certain means-tested programs.
Sec. 1113. No Federal income tax on amounts received by Holocaust survivors.
Sec. 1114. Tax treatment of special pay for members of the Armed Forces.
Subtitle B—Provisions Relating to Real Estate Investment Trusts
Part I—Treatment of Income and Services Provided by Taxable REIT Subsidiaries
Sec. 1121. Modifications to asset diversification test.
Sec. 1122. Treatment of income and services provided by taxable REIT subsidiaries.
Sec. 1123. Taxable REIT subsidiary.
Sec. 1124. Limitation on earnings stripping.
Sec. 1125. 100 percent tax on improperly allocated amounts.
Sec. 1126. Effective date.
Part II—Health Care REITs
Sec. 1131. Health care REITs.
Part III—Conformity With Regulated Investment Company Rules
Sec. 1141. Conformity with regulated investment company rules.
Part IV—Clarification of Exception From Imprudent Tenant Service Income
Sec. 1151. Clarification of exception for independent operators.
Part V—Modification of Earnings and Profits Rules
Sec. 1161. Modification of earnings and profits rules.
Title XI—Miscellaneous Incentives
Subtitle A—Miscellaneous Provisions
Sec. 1151. Clarification of exception for indebted interest.
Sec. 1152. Clarification of exception for indebted interest from gross income.
Sec. 1153. Exclusion of qualified farm indebtedness from gross income increased for certain repayment farmers.
Sec. 1154. Net operating loss of farmers.
Sec. 1155. Certain cash rentals of farmland not to cause recapture of special estate tax valuation.
Sec. 1156. Declaratory judgment remedy relating to status and classification of farm cooperatives.
Title XII—Revenue Offsets
Subtitle A—General Provisions
Sec. 1201. Modification to foreign tax credit carryback and carryover period.
Sec. 1202. Limitation on use of non-accrual experience method of accounting.
Sec. 1203. Returns relating to cancellations of indebtedness by organizations lending money.
Sec. 1204. Extension of Internal Revenue Service user fees.
Sec. 1205. Charitable split-dollar life insurance, annuity, and endowment contracts.
Sec. 1206. Transfer of excess defined benefit plan assets for retiree health benefits.
Sec. 1207. Limitations on welfare benefit funds of 10 or more employer plans.
Sec. 1208. Modification of installment method and repeal of installment method for accrual method taxpayers.
Sec. 1209. Inclusion of certain vaccines against streptococcus pneumoniae to list of taxable vaccines.
Sec. 1210. Restoration of phase-out of unified credits.
Sec. 1211. Repeal of lower-of-cost-or-market method of accounting for inventories.
Sec. 1212. Consistent amortization periods for intangibles.
Sec. 1213. Extension of hazardous substance Superfund taxes.
Sec. 1214. Controlled entities ineligible for REIT status.
Sec. 1215. Increase in elective withholding rate for nonperiodic distributions from deferred compensation plans.
Sec. 1216. Treatment of gain from constructive ownership transactions.
Sec. 1217. Restriction on use of real estate investment trust to avoid estimated tax payment requirements.
Sec. 1218. Prohibited allocations of corporate stock held by an ESOP.
Sec. 1219. Modification of anti-abuse rules related to assumption of liability of corporate stock.
Sec. 1220. Allocation of basis on transfers of intangibles in certain non-recognition transactions.
Sec. 1221. Distributions to a corporate partner of stock in another corporation.

Title I—Tax Relief for Working Families
Sec. 101. Increase in Standard Deduction.
Subsection (c) of section 63 (relating to standard deduction) is amended by adding at the end the following paragraph:

"(7) INCREASE IN AMOUNT.—
"(A) IN GENERAL.—In the case of taxable years beginning in any calendar year beginning after 2000, the dollar amounts determined under paragraph (2) (after any increase under paragraph (4)) shall be increased by the applicable dollar amount for such calendar year.

"(B) APPLICABLE DOLLAR AMOUNT.—
"(I) AMOUNT.—The applicable dollar amount for any calendar year shall be determined as follows:

"(I) Joint Returns and Surviving Spouses.—In the case of the $5,000 amount under paragraph (2)(A)—

Applicable dollar amount:
2001 or 2002 .................................................. $1,000
2003 or 2004 .................................................. $1,000
2005 or 2006 .................................................. $1,300
2007 and thereafter ........................................ $1,350.

"(II) Head of Household.—In the case of the $4,400 amount under paragraph (2)(B)—

Applicable dollar amount:
2001 or 2002 .................................................. $500
2003 or 2004 .................................................. $500
2005 or 2006 .................................................. $500
2007 and thereafter ........................................ $2,250.

"(III) Individual.—In the case of the $3,000 amount under paragraph (2)(C)—

Applicable dollar amount:
2001 or 2002 .................................................. $300
2003 or 2004 .................................................. $300
2005 or 2006 .................................................. $300
2007 and thereafter ........................................ $1,300.

"(IV) Married Filing Separately.—In the case of the $2,500 amount under paragraph (2)(D)—

Applicable dollar amount:
2001 or 2002 .................................................. $500
2003 or 2004 .................................................. $500
2005 or 2006 .................................................. $500
2007 and thereafter ........................................ $2,175.

(ii) Cost-of-Living Adjustment.—In the case of any taxable year beginning in a calendar year after 2007, the applicable dollar amount under clause (i) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, except that subparagraph (B) thereof shall be applied by substituting ‘‘calendar year 2006’’ for ‘‘calendar year 1992’’. If any amount as adjusted under this subparagraph is not a multiple of 50, such amount shall be rounded to the next lowest multiple of 50.

Sec. 102. Deduction for Two-Earner Married Couples.

(a) In General.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 222 as section 223 and by inserting after section 223 the following:

"SEC. 222. DEDUCTION FOR MARIED COUPLES TO ELIMINATE THE MARRIAGE PENALTY.

"(a) In General.—In the case of a joint return under section 6013 for the taxable year, there shall be allowed as a deduction an amount equal to the lesser of—
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‘‘(1) the applicable dollar amount, or
‘‘(2) an amount equal to the qualified earned income of the spouse with the lower qualified earned income for the taxable year.’’

(b) APPLICABLE PERCENTAGE.—For purposes of this section—

‘‘(1) IN GENERAL.—The term ‘applicable percentage’ means 20 percent, reduced (but not below zero) by 1 percentage point for each $1,000 (or fraction thereof) by which the taxpayer’s modified adjusted gross income for the taxable year exceeds $75,000.

‘‘(2) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term ‘modified adjusted gross income’ means adjusted gross income determined—

‘‘(A) after application of sections 86, 219, and 469, and

‘‘(B) without regard to sections 135, 137, 221, and 251 or the deduction allowable under this section.

‘‘(c) APPLICABLE DOLLAR AMOUNT.—For purposes of this section—

‘‘(1) IN GENERAL.—The applicable dollar amount shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Taxable year beginning in calendar year</th>
<th>Applicable dollar amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 or 2002</td>
<td>$1,000</td>
</tr>
<tr>
<td>2003 or 2004</td>
<td>$2,000</td>
</tr>
<tr>
<td>2005 or 2006</td>
<td>$3,000</td>
</tr>
<tr>
<td>2007 and thereafter</td>
<td>$4,350</td>
</tr>
</tbody>
</table>

‘‘(2) COST-OF-LIVING ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2007, the applicable dollar amount under paragraph (1) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, except that subparagraph (b) thereof shall be applied by substituting ‘calendar year 2006’ for ‘calendar year 1992’. If any amount as adjusted under this paragraph is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

‘‘(d) QUALIFIED EARNED INCOME DEFINED.—

‘‘(1) IN GENERAL.—For purposes of this section, in the term ‘qualified earned income’ means—

‘‘(A) the earned income of the spouse for the taxable year, and

‘‘(B) an amount equal to the sum of the deductions described in paragraphs (1), (2), (7), and (15) of section 62(a) to the extent such deductions are properly allocable to or chargeable against the earned income described in subparagraph (A).

The amount of qualified earned income shall be determined without regard to any community property laws.

‘‘(2) EARNED INCOME.—For purposes of paragraph (1), the term ‘earned income’ means income which is earned income within the meaning of section 89(j)(2) or 89(j)(3)(C), except that—

‘‘(A) such term shall not include any amount—

‘‘(i) not includable in gross income,

‘‘(ii) received as a pension or annuity,

‘‘(iii) paid or distributed out of an individual retirement plan (within the meaning of section 7701(a)(17)),

‘‘(iv) received as deferred compensation, or

‘‘(v) received for services performed by an individual in the employ of his spouse (within the meaning of section 3121(b)(3)(A)), and

‘‘(B) section 891(d)(2)(B) shall be applied without regard to the phrase ‘not in excess of 30 percent of his share of net profits of such trade or business’, and

‘‘(B) DEDUCTION TO BE ABOVE-THE-LINE.—Section 62(a)(1) (defining adjusted gross income) is amended by adding after paragraph (17) the following—

‘‘(18) DEDUCTION FOR TWO-EARNER MARRIED COUPLES.—The deduction allowed by section 222.

‘‘(c) EARNED INCOME CREDIT PHASEOUT TO REFLECT DEDUCTION.—Section 32(c)(2)(B) (defining earned income) is amended by adding at the end the following—

‘‘(D) MARRIAGE PENALTY REDUCTION.— Solely for purposes of applying subsection (a)(2)(B), earned income for any taxable year shall be reduced by an amount equal to the amount allowed to the taxpayer for such taxable year under section 222.’’

‘‘(d) CLERICAL AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 is amended by striking the item relating to section 222 and inserting the following:

‘‘Sec. 222. Deduction for married couples to eliminate the marriage penalty.

‘‘Sec. 223. Cross-reference.’’

‘‘(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

TITLE II—HEALTH CARE AFFORDABILITY AND ACCESSIBILITY

SEC. 201. DEDUCTION FOR 100 PERCENT OF HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (1) of section 162(j)(1) is amended to read as follows:

‘‘(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is a spouse of the taxpayer, or

‘‘(2) APPLICABLE DOLLAR AMOUNT.—The applicable dollar amount, or

‘‘(A) file separate returns for any taxable year,

‘‘(B) live apart at all times during such taxable year,

‘‘(c) EARNED INCOME CREDIT PHASEOUT TO REFLECT DEDUCTION.—Section 32(c)(2)(B) (defining earned income) is amended by adding at the end the following—

‘‘(C) MARRIAGE PENALTY REDUCTION.— Solely for purposes of applying subsection (a)(2)(B), earned income for any taxable year shall be reduced by an amount equal to the amount allowed to the taxpayer for such taxable year under section 222.’’

‘‘(d) CLERICAL AMENDMENT.—The table of sections for part VII of subchapter B of chapter 1 is amended by striking the item relating to section 222 and inserting the following:

‘‘Sec. 222. Deduction for married couples to eliminate the marriage penalty.

‘‘Sec. 223. Cross-reference.’’

‘‘(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 202. REFUNDABLE CREDIT FOR HEALTH INSURANCE COSTS OF EMPLOYEES.

(a) IN GENERAL.—Paragraph (1) of subchapter A of chapter 1 (relating to refundable personal credits) is amended by redesignating section 35 as section 36 and by inserting after section 35 the following new section:

‘‘SEC. 35. HEALTH INSURANCE COSTS OF EMPLOYEES.

‘‘(a) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this subtitle an amount equal to 30 percent of the amount paid during the taxable year for qualified health insurance.

‘‘(b) QUALIFIED HEALTH INSURANCE.—

‘‘(1) IN GENERAL.—For purposes of this section, the term ‘qualified health insurance’ means health insurance which constitutes medical care for the taxpayer, the taxpayer’s spouse, and dependents, and which meet the requirements of paragraphs (2), (3), and (4).

‘‘(2) BENEFITS PACKAGE.—Health insurance meets the requirement of this paragraph if such insurance provides coverage equivalent to the standard Blue Cross/Blue Shield preferred provider option service benefit plan, described in and offered under section 9803(c)(3)(A) of title 5, United States Code.

‘‘(3) PREMIUM STANDARDS.—Health insurance meets the requirement of this paragraph if such insurance meets standards similar to the standards under chapter 22 of title 5, United States Code.

‘‘(4) ADMINISTRATION.—Health insurance meets the requirement of this paragraph if the premium rate for such insurance for any calendar year does not exceed by more than 10 percent the average base premium rate for the same or similar health insurance offered by the 5 insurers with the highest premium volume during the preceding calendar year.

‘‘(c) LIMITATIONS.—

‘‘(1) POLICY LIMITATIONS.—The amount which may be taken into account under subsection (a) shall not exceed—

‘‘(A) in the case of self-only coverage, $1,000, and

‘‘(B) in the case of family coverage, $2,000.

‘‘(2) LIMITATION BASED ON EMPLOYER COMPENSATION.—The payments taken into account under subsection (a) for any taxable year shall not exceed the taxpayer’s wages, salaries, tips, and other employee compensation includible in gross income for such taxable year.

‘‘(3) LIMITATION BASED ON OTHER COVERAGE.—Subsection (a) shall not apply to—

‘‘(A) any taxpayer for any calendar month for which the taxpayer is eligible to participate in any subsidized health plan maintained by any employer of the taxpayer or of the spouse of the taxpayer, or

‘‘(B) amounts paid for coverage which is comparable to continuation coverage under section 4980B.

‘‘(d) LIMITATION BASED ON ADJUSTED GROSS INCOME.—

‘‘(1) IN GENERAL.—No credit shall be allowed under subsection (a) for any taxable year for which the taxpayer’s adjusted gross income exceeds the applicable dollar amount.

‘‘(2) APPLICABLE DOLLAR AMOUNT.—The term ‘applicable dollar amount’ means—

‘‘(A) in the case of a taxpayer filing a joint return, $40,000.

‘‘(B) in the case of any other taxpayer, $20,000.

‘‘(3) COST-OF-LIVING ADJUSTMENT.—

‘‘(A) IN GENERAL.—In the case of a taxable year beginning after 2003, each dollar amount under paragraph (2) shall be increased by an amount equal to—

‘‘(i) such dollar amount, multiplied by

‘‘(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2002’ for ‘calendar year 1992’ in subparagraph (B) thereof.

‘‘(B) ROUNDING RULES.—If any amount after adjustment under subparagraph (A) is not a multiple of $50, such amount shall be rounded to the next lower multiple of $50.

‘‘(4) SPECIAL RULE FOR MARRIED INDIVIDUALS FILING SEPARATELY AND LIVING APART.—A husband and wife who—

‘‘(A) file separate returns for any taxable year, and

‘‘(B) live apart at all times during such taxable year, shall not be treated as married individuals for purposes of this paragraph.

‘‘(e) LIMITATION BASED ON AMOUNT OF TAX—.
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“Sec. 222. Long-term care insurance costs.

“Sec. 223. Cross reference.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 204. LONG-TERM CARE TAX CREDIT.

(a) ALLOWANCE OF CREDIT.—

(1) IN GENERAL.—Section 24(a) (relating to allowance of child tax credit) is amended to read as follows:

“(a) ALLOWANCE OF CREDIT.—

“(1) IN GENERAL.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

(A) $500 multiplied by the number of qualifying children of the taxpayer, plus

(B) the applicable dollar amount multiplied by the number of applicable individuals with respect to whom the taxpayer is an eligible caregiver for the taxable year.”

(2) ADDITIONAL CREDIT.—For purposes of paragraph (1)(B), the applicable dollar amount for any taxable years beginning in any calendar year shall be determined in accordance with the following table:

<table>
<thead>
<tr>
<th>Calendar year:</th>
<th>Applicable dollar amount:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003, 2004, or 2005</td>
<td>$250</td>
</tr>
<tr>
<td>2006 or 2007</td>
<td>$500</td>
</tr>
<tr>
<td>2008 and thereafter</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

(2) ADDITIONAL CREDIT FOR TAXPAYERS WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.—So much of section 24(d) as precedes paragraph (1)(A) thereof is amended to read as follows:

“(1)(A) Thereof is amended to read as follows:

“ADDITIONAL CREDIT FOR TAXPAYERS WITH 3 OR MORE SEPARATE CREDIT AMOUNTS.—

(1) IN GENERAL.—If the sum of the number of qualifying children and the number of applicable individuals with respect to which the taxpayer is an eligible caregiver is 3 or more for any taxable year, the aggregate credits allowed under subpart C shall be increased by the lesser of—”

(3) CONFORMING AMENDMENTS.—

(A) The heading for section 32(b) is amended by striking “Child” and inserting “Family Care”.

(B) The heading for section 24 is amended to read as follows:

“SEC. 24. FAMILY CARE CREDIT.”

(C) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 24 and inserting the following new item:

“Sec. 24. Family care credit.”

(b) DEFINITIONS.—Section 24(c) (defining qualifying child) is amended to read as follows:

“(c) DEFINITIONS.—For purposes of this section—

(1) QUALIFYING CHILD.—An individual is a qualifying child if—

(i) the taxpayer is a dependent child of the taxpayer,

(ii) such individual has not attained the age of 17 as of the close of the calendar year in which the taxable year of the taxpayer begins,

(iii) such individual bears a relationship to the taxpayer described in section 152(c)(4)(B).

(b) DESCRIPTION OF ELIGIBLE CARE.—The term ‘qualifying child’ shall not include any individual who would not be a dependent if the first sentence of section 152(b)(3) were applied without regard to all that follows ‘resident of the United States’.

(2) APPLICABLE INDIVIDUAL.—
"(A) IN GENERAL.—The term ‘applicable individual’ with respect to any taxable year, any individual who has been certified, before the due date for filing the return of tax for the taxable year (without extensions), as defined in section 151(c)(1) of the Social Security Act as being an individual with long-term care needs described in subparagraph (B) for a period—

(i) which is at least 120 consecutive days, and

(ii) a portion of which occurs within the taxable year.

Such test shall not include any individual otherwise meeting the requirements of the preceding sentence unless within the 36-month period ending on such due date (or such other period as the Secretary prescribes) a physician (as so defined) has certified that such individual meets such requirements.

(B) INDIVIDUALS WITH LONG-TERM CARE NEEDS.—An individual is described in this subparagraph if an individual if clause (iii) applied.

(i) The requirements of this subparagraph if the individual meets any of the following:

(I) is unable to perform (without substantial assistance from another individual) at least 3 activities of daily living (as defined in section 7702B(c)(2)(B)) due to a loss of functional capacity, or

(II) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment and is unable to perform at least 1 activity of daily living (as so defined) or to the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age appropriate activities.

(ii) The individual is at least 2 but not 6 years of age and—

(I) is unable to perform (without substantial assistance from another individual) at least 2 of the following activities: eating, transferring, or mobility.

(ii) The individual is under 2 years of age and requires specific durable medical equipment by reason of a severe health condition and requires specific durable medical equipment assistance from another individual.

(iii) The individual is at least 6 years of age and—

(I) is unable to perform (without substantial assistance from another individual) any additional standard deduction under section 63(c)(2)(C), and

(ii) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment.

(iii) The individual is under 2 years of age and—

(I) is unable to perform (without substantial assistance from another individual) at least 1 activity of daily living (as so defined) or to the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age appropriate activities.

(iv) The individual is at least 2 but not 6 years of age and is unable to do a loss of functional capacity to perform (without substantial assistance from another individual) at least 2 of the following activities: eating, transferring, or mobility.

(i) In general.—The individual is described in this subparagraph if the individual meets any of the following:

(I) is unable to perform (without substantial assistance from another individual) any additional standard deduction under section 63(c)(2)(C), and

(ii) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment and is unable to perform at least 1 activity of daily living (as so defined) or to the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age appropriate activities.

(ii) The individual is at least 6 years of age and—

(I) is unable to perform (without substantial assistance from another individual) at least 1 activity of daily living (as so defined) or to the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age appropriate activities.

(ii) affects the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age appropriate activities.

(iii) the requirements of clause (ii) are met with respect to the individual in lieu of the support test of section 152A.

(B) RESIDENCY TEST.—The requirements of this subparagraph are met if an individual has as his principal place of abode the home of the taxpayer and—

(i) in the case of an individual who is an ancestor or descendant of the taxpayer or the taxpayer’s spouse, is a member of the taxpayer’s household for over half the taxable year, or

(ii) in the case of any other individual, is a member of the taxpayer’s household for the entire taxable year.

(C) SPECIAL RULES WHERE MORE THAN 1 ELIGIBLE CAREGIVER LIVES.—

(i) IN GENERAL.—If more than 1 individual is an eligible caregiver with respect to the same applicable individual for taxable years ending within the same calendar year, a taxpayer shall be treated as the eligible caregiver if each such individual (other than the taxpayer) files a written declaration (in such form and manner as the Secretary may prescribe) that such individual will not claim such applicable individual for the credit under this section.

(ii) AGREEMENT.—If each individual required under clause (i) to file a written declaration under clause (i) does not so, the individual with the highest modified adjusted gross income under section 32(c)(5)(B) shall be treated as the eligible caregiver.

(iii) MARRIED INDIVIDUALS FILING SEPARATELY.—If husband and wife are filing separately, the determination under this subparagraph as to whether the husband or wife is the eligible caregiver shall be made under the rules of clause (i) (whether or not one of them has filed a written declaration under clause (i)).

(c) IDENTIFICATION REQUIREMENTS.—

(i) In general.—A qualified medical innovation expense is determined under this section for the taxable year of the taxpayer.

(ii) Identification requirements—

(A) In general.—The requirements of this subparagraph are met if the following:

(I) The individual is at least 2 but not 6 years of age and

(II) is unable to perform (without substantial assistance from another individual) at least 2 of the following activities: eating, transferring, or mobility.

(B) Effectiveness.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 205. CREDIT FOR CLINICAL TESTING RESEARCH EXPENSES ATTRIBUTABLE TO CERTAIN QUALIFIED ACADEMIC INSTITUTIONS INCLUDING TEACHING HOSPITALS.

(a) In general.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by inserting after section 41 the following:

SEC. 41A. CREDIT FOR MEDICAL INNOVATION EXPENSES.

(a) General rule.—For purposes of this section, the medical innovation base period amount means the average annual qualified medical innovation expenses paid by the taxpayer during the 3-taxable year period ending with the taxable year immediately preceding the first taxable year of the taxpayer beginning after December 31, 2000.

(b) Special rules.—

(1) Limitation on foreign testing.—No credit shall be allowed under this section with respect to any clinical testing research activities conducted outside the United States.

(2) Certain rules made applicable.—

Rules similar to the rules of subsections (f) and (g) of section 41 shall apply for purposes of this section.

(3) Election.—This section shall apply to any taxpayer for any taxable year only if such taxpayer elects to have this section apply for such taxable year.

(4) Coordination with credit for clinical testing research expenses and with credit for clinical testing expenses for certain drugs for rare diseases.—Any qualified medical innovation expense for a taxable year which is an election under this section applies shall not be taken into account for purposes of determining the credit for clinical testing research activities.
allowable under section 41 or 45C for such taxable years ending after December 31, 2010.

"(e) TERMINATION.—This section shall not apply to any expense paid or incurred after the date specified in section 41(b)(1)(B).

(2) TRANSITION RULE.—Section 39(d) is amended by adding at the end the following new paragraph:

"(9) NO CARRYBACK OF SECTION 41A CREDIT BEFORE ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to the medical innovation credit determined under section 41A may be carried back to a taxable year beginning before January 1, 1999.

(c) DEDUCTION FOR UNUSED PORTION OF CREDIT.—Section 280C is amended by adding at the end the following new subsection:

"(d) CREDIT FOR INCREASING MEDICAL INNOVATION EXPENSES.—

"(1) IN GENERAL.—No deduction shall be allowed for that portion of the qualified medical innovation expenses (as defined in section 41A) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 41A(a).

"(2) RULES TO APPLY.—Rules similar to the rules of paragraphs (2), (3), and (4) of subsection (c) shall apply for purposes of this subsection.

(2) EFFECT OF REPEAL.—The Internal Revenue Code of 1986 shall be applied and administered as if the section repealed by paragraph (1) had never been enacted.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to indebtedness incurred in taxable years beginning after December 31, 2000.

SEC. 302. INCREASE IN UNIFIED ESTATE AND GIFT TAX CREDIT.

(a) IN GENERAL.—Section 2055(c) of the Internal Revenue Code of 1986 (relating to limitation) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (2) the following new paragraph:

"(3) THE AMENDMENTS MADE BY THIS SECTION shall apply to estates of decedents dying after December 31, 2002.

(b) CONFORMING AMENDMENTS.—Section 2055(c)(3)(B) (relating to minimum tax) is amended by striking "$675,000" each place it appears in the text and heading and inserting "$1,125,000".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2002.

TITLE IV—ALTERNATIVE MINIMUM TAX REFORM

SEC. 401. ALLOWANCE OF NONREFUNDABLE PERSONAL CREDITS FULLY AGAINST REGULAR TAX LIABILITY.

The second sentence of section 28(a) (relating to limitations based on amount of tax) is amended by striking "1998" and inserting "calendar years 1998 through 2003.

SEC. 402. REPEAL OF FOREIGN TAX CREDIT LIMITATION UNDER ALTERNATIVE MINIMUM TAX.

(a) IN GENERAL.—Section 59(a) (relating to alternative minimum tax foreign credit) is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(b) CONFORMING AMENDMENT.—Section 59(d)(1)(B)(ii)(I) is amended by striking "and" and by inserting ''or'' before the period at the end of the paragraph.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 403. INCOME AVERAGING FOR FARMERS NOT TO INCREASE ALTERNATIVE MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Section 53(c) of the Internal Revenue Code of 1986 (relating to limitation) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (2) the following new paragraph:

"(3) AMOUNT OF CREDIT.—For purposes of paragraph (1), the amount of the credit shall be equal to the least of the following for the taxable year:

"(i) The long-term unused minimum tax credit.

(ii) 20 percent of the taxpayer's tentative minimum tax.

(iii) The excess (if any) of the amount under paragraph (1)(B) over the amount under paragraph (1)(A).

(b) CONFORMING AMENDMENTS.—Section 53(c)(4) is amended by striking ''$3,750,000'' and inserting ''$7,500,000'','' and ''$1,125,000'' and inserting ''$2,250,000'','' and ''$675,000'' and inserting ''$1,125,000'','' and ''$675,000'' and inserting ''$1,125,000'','' and ''$675,000'' and inserting ''$1,125,000'','' and ''$675,000'' and inserting ''$1,125,000''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 404. LONG-TERM UNUSED CREDITS ALLOWED AGAINST MINIMUM TAX.

(a) IN GENERAL.—Subsection (c) of section 53 (relating to limitation) is amended by adding at the end the following:

"(3) SPECIAL RULE FOR CORPATIONS WITH LONG-TERM UNUSED CREDITS.—

"(A) IN GENERAL.—If—

(i) a corporation to which section 56(g) applies has a long-term unused minimum tax credit for a taxable year, and

(ii) no credit would be allowable under this section for the taxable year by reason of paragraph (1),

then there shall be allowed a credit under subsection (a) for the taxable year in the amount determined under subparagraph (B).

(b) AMOUNT OF CREDIT.—For purposes of subparagraph (A), the amount of the credit shall be equal to the least of the following for the taxable year:

"(i) The long-term unused minimum tax credit.

"(ii) 20 percent of the taxpayer's tentative minimum tax.

"(iii) The excess (if any) of the amount under paragraph (1)(B) over the amount under paragraph (1)(A).

(c) CONFORMING AMENDMENTS.—Section 53(c)(4) (relating to cooperation with unified credit) is amended by striking "$675,000" each place it appears in the text and heading and inserting "$1,125,000".

(d) EFFECTIVE DATE.—The provisions made by this section shall apply to estates of decedents dying after December 31, 2002.
SEC. 506. MODIFICATIONS OF PUERTO RICAN ECONOMIC ACTIVITY CREDIT.

Section 30A(a)(1) is amended by striking the last sentence.

SEC. 507. MODIFICATIONS OF NONRESIDENTAL REAL PROPERTY CREDIT.

Section 30F(b)(3)(B)(ii) is amended—

(a) by striking the last sentence of such paragraph;

(b) by striking the period at the end of such paragraph and inserting semicolon;

(c) by striking the last sentence of such paragraph.

SEC. 508. MODIFICATIONS OF QUALIFIED DOMESTIC CORPORATION CREDIT.

Subsection (d) of section 936(a)(4)(B) does not apply for the taxable year ending after the portion of section 45(c)(3) (relating to qualified facility) is amended—

(1) by redesignating paragraphs (1) and (2) as paragraphs (2) and (3), respectively;

(2) by striking the last sentence of such subsection; and

(3) by inserting at the end of such subsection—

"(2) the taxable year beginning after December 31, 2000."
the rules of section 1266 shall apply to the qualified public school modernization bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

(3) LIMITATION AMENDED. —Nothing in any law or rule of law shall be construed to limit the transferability of the credit allowed by this section through sale and repurchase agreements.

(4) REPORTING.—Issuers of qualified public school modernization bonds shall submit reports similar to the reports required under section 149(e).

PART II—QUALIFIED SCHOOL CONSTRUCTION BONDS

"Sec. 1400G. Qualified school construction bonds."

"Sec. 1400G. QUALIFIED SCHOOL CONSTRUCTION BONDS."

"(a) Qualified School Construction Bond. —For purposes of this subchapter, the term 'qualified school construction bond' means any bond issued as part of an issue—

(1) for the purpose of funding the acquisition of land, the construction, renovation, or rehabilitation of a public school facility or for the acquisition of land on which such a facility is to be constructed with part of the proceeds of such issue, and

(2) if such bond is issued by a State or local government within the jurisdiction of which such school is located.

(3) the issuer designates such bond for purposes of this section, and

(4) the term of each bond which is part of such issue does not exceed 15 years.

"(b) Limitation on Amount of Bonds Designated. —The maximum aggregate face amount of bonds issued during any calendar year shall not exceed the amount which would have been allocated if all allocations under paragraph (1) were made on the basis of respective populations of individual States as defined by the Secretary of Education, and any such bond issued on or after January 1, 2002, shall be subject to the limitations prescribed in subsection (c).

"(c) National Limitation on Amount of Bonds Designated. —There is a national qualified school construction bond limitation for each calendar year. Such limitation is—

(1) $11,800,000,000 for 2001, and

(2) $11,800,000,000 for 2002, and

(3) except as provided in subsection (i), zero after 2001 and before 2005, and after 2005, $11,800,000,000.

"(d) Sixty-Five Percent of Limitation Allocated among States. —

(1) IN GENERAL. —Sixty-five percent of the limitation applicable under subsection (c) for any calendar year shall be allocated among the States in proportion to the respective amounts such State received for Basic Grants under subpart 2 of part A of title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6331 et seq.) for the most recent fiscal year ending before such calendar year.

(2) ALLOCATION AMONG STATES.—

(A) Allocation for each State shall be allocated by the Secretary. The limitation amount allocated to a State for any calendar year shall be allocated among the largest local educational agencies in such State for such year.

(B) The limitation amount allocated to each State is not less than an amount equal to such State's minimum percentage of the amount which would have been allocated if all allocations under paragraph (1) were made on the basis of respective populations of individual States as defined by the Secretary. The limitation amount allocated to each State shall be reduced by the aggregate amount allocated under this paragraph to possession of the United States.

(C) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED. — There is a national qualified school construction bond limitation for each calendar year. Such limitation is—

(1) $32,000,000,000 for 2001 and

(2) $32,000,000,000 for 2002.

"(3) ALLOCATION OF UNUSED LIMITATION TO LARGE LOCAL EDUCATIONAL AGENCIES. —

Any amount reallocated to a State under the preceding sentence may be allocated as provided in subsection (d)(1)."
Congressional Record—Senate

July 28, 1999

PART III—INCENTIVES FOR EDUCATION ZONES

"Sec. 1400H. Qualified zone academy bonds.

SEC. 1400H. QUALIFIED ZONE ACADEMY BONDS.

(a) Qualified Zone Academy Bond.—For purposes of this chapter—

(1) In general.—Whoever engages in qualified zone academy bond means any bond issued as part of an issue if—

(A) 95 percent or more of the proceeds of such issue are allocated for a qualified purpose with respect to a qualified zone academy established by a local educational agency, and

(B) the bond is issued by a State or local government within the jurisdiction of which such academy is located,

(c) the issuer—

(i) designates such bond for purposes of this section,

(ii) certifies that it has written assurances that the private business contribution requirement of this paragraph will be met with respect to such academy, and

(iii) certifies that it has the written approval of the local educational agency for bond issuance, and

(D) the term of each bond which is part of such issue does not exceed 15 years.

(i) IN GENERAL.—A bond shall not be treated as failing to meet the requirement of paragraph (2) if the local educational agency has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

(ii) private business contributions.—For purposes of paragraph (1), the private business contribution requirement of such academy shall be treated as being made up to the amount allocated by the State education agency to such academy under subparagraph (A) of this section.

(iv) any other property or services specified by the local educational agency in such bond resolution.

(iv) IN GENERAL.—For purposes of paragraph (1), the private business contribution requirement of a qualified zone academy bond is met with respect to any issue if the local educational agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

(2) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—

(A) IN GENERAL.—For purposes of paragraph (1), the private business contribution requirement of a qualified zone academy established by a local educational agency is met with respect to such academy if—

(i) at least 10 percent of the proceeds of such issue are allocated to such academy for a purpose for which such issue was issued,

(ii) the amount of bonds issued during such year which are designated under subparagraph (A) of this section for any State, exceeds the limitation amount allocated to such State for the following calendar year.

(B) the amount of bonds issued during such year which are designated under subparagraph (A) of this section for any State, is not more than 36 months

(iv) internships, field trips, or other educational opportunities outside the academy for students, or

(vi) any other property or services specified by the local educational agency.

(3) QUALIFIED ZONE ACADEMY.—The term qualified zone academy means any public school (or academic program within a public school) which is established by and operated under the supervision of a local educational agency to provide education or training below the postsecondary level if—

(A) such public school or program (as the case may be) is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce,

(B) students in such public school or program (as the case may be) will be subject to the same academic standards and assessments as other students educated by the local educational agency,

(C) the education plan of such public school or program is approved by the local educational agency, and

(D) such public school is located in an enterprise zone or community (including any such zone or community designated by the Secretary within the enterprise zone).
...the limitation amount under this subsection for such loan for the following calendar year shall be increased by the amount of such excess.”

(b) REPORTING.—Subsection (d) of section 6849 of the Internal Revenue Code of 1986 (relating to returns payments of interest) is amended by adding at the end the following new paragraph:

“(B) INTEREST TO CORPORATIONS, ETC.—Except as otherwise provided in regulations, in the case of any interest described in subparagraph (A) of this paragraph, the requirements of such subparagraph shall not apply if—

(1) the total amount of interest attributable to the loan shall be treated as paid on the credit allowance date (as defined in section 1400F(d)(2))....
"(ii) at the end of the term of the agreement, shall transfer the school facility to such agency for no additional consideration, and

"(B) the term of which does not exceed the last maturity date of any bond which is a part of the issue to be used to finance the activities described in subparagraph (A)(i).

"(3) SCHOOL FACILITY.—For purposes of this subsection, the term ‘school facility’ means

"(A) school buildings,

"(B) functionally related and subordinate facilities and land with respect to such buildings, including any stadium or other facility primarily used for school events, and

"(C) any property, to which section 168 ap-

plies (or would apply but for section 179), for use in the facility.

"(4) PUBLIC SCHOOLS.—For purposes of this subsection, the terms ‘elementary school’ and ‘secondary school’ have the meanings given such terms by section 14101 of the Ele-

mentary and Secondary Education Act of 1965 (20 U.S.C. 8801), as in effect on the date of the enactment of this subsection.

"(5) ALLOCATION RULES.—

"(A) IN GENERAL.—An issue shall not be treated as an issue described in subsection (a)(13) if the aggregate face amount of bonds issued by the State pursuant thereto (when added to the aggregate face amount of bonds previously so issued during the calendar year) exceeds an amount equal to the greater of—

"(i) $10 multiplied by the State population, or

"(ii) $5,000,000.

"(B) ALLOCATION RULES.—

"(1) IN GENERAL.—Except as otherwise pro-

vided in this subparagraph, the State may allocate the amount described in subparagraph (A) for any calendar year in such manner as the State determines appropriate.

"(2) RULES FOR CARRYFORWARD OF UNUSED LIMITATION.—A State may elect to carry for-

ward an unused limitation for any calendar year for 3 calendar years following the calendar year in which the unused limitation arose under rules similar to the rules of section

146(f), except that the only purpose for which the carryforward may be elected is the issuance of exempt facility bonds described in subsection (a); and

"(o) EXEMPTION FROM GENERAL STATE VOL-

UME CAPS.—Paragraph (3) of section 146(g) (relating to exception for certain bonds) is amended—

by striking ‘‘or (12)’’ and inserting ‘‘(12), or (13)’’, and

by striking ‘‘and environmental en-

hancements of hydroelectric generating fa-

cilities’’ and inserting ‘‘environmental en-

hancements of hydroelectric generating fac-

cilities, and qualified public educational fa-

cilities’’;

by adding after the end of the paragraph the following:

"(xii) any exempt facility bonds issued by a State or any political subdivision of a State to finance education and public safety-related activities, as provided by subsection (xii), and

"(p) EFFECTIVE DATE.—The amendments made by paragraphs (i) and (j) shall apply to bonds issued after December 31, 2000.

SEC. 606. PERMANENT EXTENSION OF EXCLU-

SION FOR EMPLOYER-PROVIDED INFORMATION TECHNOLOGY TRAINING PROGRAM EXPENSES.

"(a) IN GENERAL.—Section 127 (relating to exclusion for educational assistance pro-

grams) is amended by striking subsection (d)."
SEC. 610. EXCLUSION OF NATIONAL SERVICE EDUCATIONAL AWARDS FROM LIMITATION UNDER SUBSECTION (C).

(a) IN GENERAL.—Section 117 (relating to qualified scholarships) is amended by adding at the end the following:

"(d) EXCLUSION OF NATIONAL SERVICE EDUCATIONAL AWARDS.—

"(1) IN GENERAL.—Gross income for any taxable year shall not include any qualified national service educational award.

"(2) QUALIFIED NATIONAL SERVICE EDUCATIONAL AWARD.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified national service educational award' means any amount received by an individual in a taxable year as a national service educational award or other amount under section 118 of the National and Community Service Act of 1990 (42 U.S.C. 12604) to the extent the individual establishes that, in accordance with the conditions of such award or other amount, such award or other amount was used for qualified tuition and related expenses (as defined in subsection (b)(2)) of the individual.

"(B) LIMITATION.—The total amount of the qualified tuition and related expenses (as so defined) which may be taken into account for any taxable year, with respect to any person under section 25A of the Internal Revenue Code of 1986 (relating to credits against tax) is limited to the amount of the credit allowable under section 25A with respect to such expenses in any taxable year."
“(ii) construction, rehabilitation, or repair of a water project, including natural water-course improvements, campgrounds, and hiking or biking trails, "(iii) remediation of qualified property to enhance water quality by maintaining natural water courses, trees, and streamside vegetation, "(II) controlling erosion, "(III) restoring wetlands, or "(IV) treating conditions caused by the prior disposal of toxic or other waste, "(v) acquisition of a qualified easement in order to maintain the use and character of the property in connection to which such easement is granted as open space, including an easement to allow access to public land by non-motorized means, and "(vii) a governmental unit, or a public, unless such use would change the character of the property and be contrary to the qualified use of the property. "(C) CEQA PROPERTY.—Property is described in this subparagraph as the ‘Board’ established in this paragraph (A)." 

"(B) QUALIFIED PROPERTY.—The term ‘qualified property’ means real property— "(i) which is, or is to be, owned by— "(I) a governmental unit, or "(II) an organization described in section 501(c)(3) and exempt from taxation under section 501(a) and which has as one if its purposes environmental preservation, and "(ii) for which stipulated conditions and reme- diation of real property and public infras- tructure owned by a governmental unit and located in an area where or on which there has been a release (or threat of release) of hazardous substances, (2) a governmental unit, or a public, unless such use would change the character of the property and be contrary to the qualified use of the property. "(C) CEQA PROPERTY.—Property is described in this subparagraph as the ‘Board’ established in this paragraph (A)." 

"(B) APPROVED APPLICATION.—For purposes of paragraphs (A) and (B) of section 45A(c)(6), the term ‘approved application’ means an application which is approved by the Board, and which includes such information as the Board requires. "(C) LEVYING A TAX ON INCOME FROM GROSS EARNINGS.—If a tax in whole or in part is imposed on any bond issued as part of an issue if an amount of the proceeds from such issue are used for a qualified environmental infrastructure project described in paragraph (2)(A)(v) and involving public infrastructure in excess of an amount equal to 5 percent of the total amount of such proceeds used for all projects described in such paragraph (2)(A)(v). "(D) CERCLA PROPERTY.—Property is described in this subparagraph as the ‘Board’ established in this paragraph (A)." 

"(B) APPROVED APPLICATION.—For purposes of paragraphs (A) and (B) of section 45A(c)(6), the term ‘approved application’ means an application which is approved by the Board, and which includes such information as the Board requires. "(C) LEVYING A TAX ON INCOME FROM GROSS EARNINGS.—If a tax in whole or in part is imposed on any bond issued as part of an issue if an amount of the proceeds from such issue are used for a qualified environmental infrastructure project described in paragraph (2)(A)(v) and involving public infrastructure in excess of an amount equal to 5 percent of the total amount of such proceeds used for all projects described in such paragraph (2)(A)(v). "(B) APPROVED APPLICATION.—For purposes of paragraphs (A) and (B) of section 45A(c)(6), the term ‘approved application’ means an application which is approved by the Board, and which includes such information as the Board requires. "(C) LEVYING A TAX ON INCOME FROM GROSS EARNINGS.—If a tax in whole or in part is imposed on any bond issued as part of an issue if an amount of the proceeds from such issue are used for a qualified environmental infrastructure project described in paragraph (2)(A)(v) and involving public infrastructure in excess of an amount equal to 5 percent of the total amount of such proceeds used for all projects described in such paragraph (2)(A)(v). "(B) APPROVED APPLICATION.—For purposes of paragraphs (A) and (B) of section 45A(c)(6), the term ‘approved application’ means an application which is approved by the Board, and which includes such information as the Board requires. "(C) LEVYING A TAX ON INCOME FROM GROSS EARNINGS.—If a tax in whole or in part is imposed on any bond issued as part of an issue if an amount of the proceeds from such issue are used for a qualified environmental infrastructure project described in paragraph (2)(A)(v) and involving public infrastructure in excess of an amount equal to 5 percent of the total amount of such proceeds used for all projects described in such paragraph (2)(A)(v)."
(1) "TREATMENT FOR ESTIMATED TAX Pur-
poses."—For purposes of sections 6654 and 6655, the credit allowed by this section to a taxpayer by reason of holding a Better America bond on a credit allowance date shall be treated as payment of estimated tax made by such a taxpayer.

(2) "CREDIT MAY BE TRANSFERRED.—Nothing in any law or rule of law shall be con-
strued to limit the transferability of the credit allowed by this section through sale and repurchase agreements.

(1) REPORTING.—Issuers of Better America bonds shall submit reports similar to the reports required under section 109(e).

(2) REPORTING.—Subsection (d) of section 6049 of the Internal Revenue Code of 1986 (re-
ferring to returns regarding payments of inter-
est) is amended by adding at the end the follow-
ing:

"(B) DEPARTMENTAL REPORT.—In addition to the reports required under section 6604 of such Code, the Secretary may prescribe such regulations as are necessary or appropriate to carry out the purposes of this section, including regulations which require more frequent or more detailed reporting.

(I) The table of subparts for part IV of sub-
chapter A of chapter 1 of the Internal Re-
vemue Code of 1986 is amended by adding at the end the following:

"Subpart H. Nonrefundable Credit for Hold-
ers of Better America Bonds."

(a) IN GENERAL.—For purposes of sub-
section (a), the term 'interest' includes amounts includible in gross income under section 54(f) and such amounts shall be treated as payment of estimated tax made by a taxpayer.

(b) REPORTING CORPORATIONS, ETC.—Except as otherwise provided in regulations, in the case of any interest described in paragraph (A) of this subsection, subsection (b)(4) of this section shall be applied without regard to subparagraphs (A), (D), (1), (J), (K), and (L)(i).

(c) REGULATORY AUTHORITY.—The Sec-
retary may prescribe such regulations as are necessary or appropriate to carry out the purposes of this paragraph, including regulations which require more frequent or more detailed reporting.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to interest paid after December 31, 2000, and shall be treated as if they were contained in the provision of such Code described in section 6604 of such Code as in effect on the date of the enactment of this Act.

(2) EFFECTIVE DATE.—The amendments made by this section shall be treated as if they were contained in the provision of such Code described in section 6604 of such Code as in effect on the date of the enactment of this Act.

(a) ESTABLISHMENT.—There is established a board to be known as the Better America Bonds Board (in this section referred to as the 'Board')

(b) MEMBERSHIP.—

(1) COMPOSITION.—The Board shall be com-
posed of 12 members, as follows:

(A) 3 members shall be individuals who are not otherwise Federal officers or employees and who are appointed by the President, by and with the advice and consent of the Senate.

(B) 2 members, not be affiliated with the same political party, shall be individuals who represent Governors, or other chief executive officers, of a State, mayors, and county commissioners and who are appointed by the President, by and with the advice and consent of the Senate.

(C) 1 member shall be the Administrator of the Environmental Protection Agency or the Administrator's designee.

(E) 1 member shall be the Secretary of Housing and Urban Development or the Sec-
tary's designee.

(F) 1 member shall be the Secretary of In-
terior or the Secretary's designee.

(G) 1 member shall be the Secretary of Trans-
portation or the Secretary's designee.

(H) 1 member shall be the Secretary of the Treasury or the Secretary's designee.

(I) 1 member shall be the Director of the Federal Emergency Management Agency or the Director's designee.

(2) QUALIFICATIONS AND TERMS.—

(A) QUALIFICATIONS.—Members of the Board described in paragraph (1)(A) shall be appointed without regard to political affili-
ation and solely on the basis of their profes-
sional experience and expertise in 1 or more of the following:

(i) Tax-exempt organizations which have as a principal purpose environmental protec-
tion and land conservation.

(ii) Community planning.

(iii) Real estate investment and bond fi-
nancing.

In the aggregate, the members of the Board described in paragraph (1)(A) should collec-
tively bring to bear expertise in all of the areas described in the preceding sentence.

(B) TERMS.—Each member who is described in subparagraph (A) or (B) of paragraph (1) shall be appointed for a term of 3 years, ex-
cept that of the members first appointed—

(i) 1 member shall be appointed for a term of 1 year;

(ii) 2 members shall be appointed for a term of 2 years, and

(iii) 2 members shall be appointed for a term of 3 years.

(C) REAPPOINTMENT.—An individual who is described in subparagraph (A) or (B) of para-
graph (1) may be appointed to no more than 3 3-year terms on the Board.

(D) VACANCY.—Any vacancy on the Board shall be filled in the same manner as the original appointment. Any member ap-
pointed as a result of a vacancy occurring before the expiration of the term for which the mem-
ber's predecessor was appointed shall be ap-
pointed for the remainder of that term.

(3) INITIAL MEETING.—Not later than 30 days after the date on which all members of the Board have been appointed, the Board shall hold its first meeting. Subsequent meetings shall be determined by the Board by majority vote.

(4) QUORUM.—A majority of the members of the Board shall constitute a quorum, but a lesser number of members may hold hear-
ings.

(5) CHAIRPERSON.—The member described in paragraph (1)(C) shall serve as the Chair-
person of the Board and shall have the sole power to call a meeting of the Board.

(6) REMOVAL.—

(A) IN GENERAL.—Any member of the Board appointed under subparagraph (A) or (B) of paragraph (1) may be removed at the will of the President.

(B) SECRETARIES; DIRECTOR; ADMINIS-
TRATOR.—An individual described in subpara-
graphs (C) through (I) of paragraph (1) shall be removed upon termination of service in the office described in such such subpara-
graph.

(C) DUTIES OF THE BOARD.—

(1) IN GENERAL.—The Board shall review applications for allocation of the Better America bond limitation amounts under sec-
section 54(e)(2) of the Internal Revenue Code of 1986 and approve applications in accordance with published criteria.

(D) CRITERIA FOR APPROVAL.—The Board shall consider the following criteria in ap-
proving an application under paragraph (1):

(A) A distribution pattern of the overall limitation amount available for the year, which results in the financing of each cat-
egory of qualified environmental infrastruc-
ture project and results in an even distribu-
tion of projects among different regions of the country and sizes of communities.

(B) State or local government support of proposed projects.

(C) Proposed projects which will leverage public or private resources.

(D) Proposed projects which are intended to maintain the viability of existing central business districts, preserve the community's distinct character and places, and encourage the reuse of property already served by local public infrastructure.

(E) The extent of expected improvement in environmental quality, outdoor recreation opportunities, and access to public lands.

(3) ANNUAL REPORT.—The Board shall annu-
ally report with respect to the conduct of its responsibilities under this section to the President and Congress and such report shall include—

(A) the overall progress of the Better America bond program;

(B) the overall limitation amount allo-
cated during the year and a description of the amount, region, and qualified environ-
mental infrastructure project financed by each allocation.

(4) CONFLICT OF INTEREST.—The Board shall carry out its duties under this subsection in a way to ensure that conflicts of in-
terest of its members are avoided.

(5) POWERS OF THE BOARD.—

(1) HEARINGS.—The Board may hold such hearings, take such evidence, and act at such times and places, take such testimony, and receive such evidence as the Board considers advis-
able to carry out the purposes of this sec-
tion.

(2) INFORMATION FROM FEDERAL AGENCIES.—The Board may secure directly from any Federal department or agency such informa-
tion as the Board considers necessary to carry out the provisions of this section, in-
cluding the published and unpublished data and analytical products of the Bureau of Labor Statistics. Upon written request, any per-
person of the Board, the head of such depart-
ment or agency shall furnish such informa-
tion to the Board.

(3) OFFICE SERVICES.—The Board may use the United States mails in the same manner and under the same conditions as other de-
partments and agencies of the Federal Gov-
ernment.

(4) BOARD PERSONNEL MATTERS.—

(1) COMPENSATION OF MEMBERS.—Each member of the Board who is not otherwise an officer or employee of the Federal Govern-
ment shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level III of the Exec-
utive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which such member is engaged in the performance of the duties of the Board.

(5) TRAVEL EXPENSES.—Any member of the Board who is otherwise an officer or employee of the United States shall serve without compensa-
tion in addition to that received for their services as officers or employees of the United States.

(2) TRAVEL EXPENSES.—The members of the Board shall be allowed travel expenses, in-
cluding per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes in order to attend to their responsibilities under this Act.

(3) STAFF.—
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(A) IN GENERAL.—The Chairperson of the Board shall be subject to the civil service laws and regulations, appointment and termination an executive director and such other additional personnel as may be necessary to enable the Board to perform its duties. The employment of an executive director shall be subject to confirmation by the Board.

(B) COMPENSATION.—The Chairperson of the Board shall be paid from the contingent fund of the United States, and any Indian tribe (as defined in section 54(d)(2) of the Internal Revenue Code of 1986) to the extent permitted by the provisions of chapter 51 and supplement I of title 5, United States Code, at rates for individuals which do not exceed the daily equivalent of level V of the Executive Schedule under section 5316 of this title.

(C) AUTHORIZATION OF APPROPRIATIONS.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 713. NATIONAL WILDLIFE REFUGE CONSERVATION EASEMENTS.

(a) Land Subject to a Qualified Conservation Easement To Include Land Near A National Wildlife Refuge.—Section 2031(c)(8)(A)(i)(II) (defining land subject to a qualified conservation easement) is amended—

(1) by inserting ,, national wildlife refuge,” after “national park,” and

(2) by inserting “, refuge,” after “such a park.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 714. EXCLUSION OF PROPORTION OF GAIN ON SALES OF LAND OR INTERESTS IN LAND OR WATER TO ELIGIBLE ENTITIES FOR CONSERVATION PURPOSES.

(a) IN GENERAL.—Part I of subchapter P of chapter 1 (relating to treatment of capital gain) is amended by redesignating paragraph (10) as paragraph (11) and by inserting after paragraph (9) the following:


(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 715. ENHANCED DEDUCTION FOR THE DONATION OF A CONSERVATION EASEMENT.

(a) IN GENERAL.—Paragraph (1) of section 170(b) of the Internal Revenue Code of 1986 (relating to percentage limitations) is amended by inserting the following new paragraph—

“(G) SPECIAL RULES FOR QUALIFIED CONSERVATION CONTRIBUTIONS.—In the case of a qualified conservation contribution by an individual (as defined in subsection (h)(1)), except that the phrase ‘or a certified historic structure’ in clause (iv) of subsection (h)(4)(A) shall not apply:

“(i) 50 PERCENT LIMITATION TO APPLY.—Such a contribution shall be treated for purposes of this section as described in subparagraph (A)(i)(II) thereof.

“(ii) Unused deduction carried over allowed on taxpayer’s last return.—If the taxpayer dies before the close of the last taxable year for which a deduction could have been allowed under subsection (d)(1), any portion of the deduction for such contribution which has not been allowed shall be—

(A) included in the basis of land or interests in land (without regard to this subsection) for the taxable year in which such death occurs or such portion may be used as a deduction against gross income of the decedent’s estate for the taxable year in which such death occurs.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2006.

SEC. 716. NATIONAL WILDLIFE REFUGE FUELING STATIONS.

(a) MODIFIED CRITERIA FOR VEHICLES WHICH MUST CERTAIN RANGE REQUIREMENTS.—Section 609(c)(2) (relating to qualified clean electric vehicles) is amended to read as follows:

“(c) MODIFIED CRITERIA FOR VEHICLES WHICH MUST CERTAIN RANGE REQUIREMENTS.—Section 609(c)(2) (relating to qualified clean electric vehicles) is amended to read as follows:

“(1) IN GENERAL.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

(A) 19 percent of the cost of any qualified electric vehicle placed in service by the taxpayer during the taxable year, plus

(B) the case of any such vehicle also meeting the requirement described in paragraph (2), $5,000.

“(2) RANGE REQUIREMENT.—The requirement described in this paragraph is a driving range of at least 100 miles on a single charge of the vehicle’s rechargeable batteries, fuel cells, or other portable source of electrical current, and

(B) measured pursuant to the urban dynamometer schedule under appendix I to part 30(b)(2) of title 40, Code of Federal Regulations.”

(b) CREDIT EXTENDED THROUGH 2010.—(1) IN GENERAL.—Section 30(e)(relating to allowance of credit) is amended to read as follows:

“(e) TERMINATION.—This section shall not apply to any property placed in service after December 31, 2010.”

(2) CONFORMING AMENDMENTS.—Section 30(b)(2) (relating to phaseout) is amended—

(A) by striking “2002” in subparagraph (A) and inserting “2009”;

(B) by striking “2001” in subparagraph (B) and inserting “2009”, and

(C) by striking “2004” in subparagraph (C) and inserting “2010”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service in taxable years beginning after December 31, 2000.

SEC. 722. ADDITIONAL DEDUCTION FOR COST OF INSTALLATION OF ALTERNATIVE FUEL VEHICLE FUELING STATIONS.

(a) IN GENERAL.—Paragraph (A) of section 179(b)(2) (relating to qualified clean-
fuel vehicle refueling property) is amended to read as follows:

"(A) IN GENERAL.—The aggregate cost which may be taken into account under subsection (a)(1)(B) with respect to qualified clean-fuel vehicle refueling property placed in service during the taxable year at a location shall not exceed the sum of—

"(i) $100,000, over

"(ii) the lesser of—

"(I) the cost of the installation of such property, or

"(II) $30,000.".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service in taxable years beginning after December 31, 2000.

SEC. 723. CREDIT FOR RETAIL SALE OF CLEAN BURNING FUELS AS MOTOR VEHICLE FUEL.

(a) IN GENERAL.—Subpart D of part IV of subchapter III of chapter 1 is amended by inserting after section 4975(d) the following:

"Sec. 40A. Credit for retail sale of clean burning fuels as motor vehicle fuel.

"(a) IN GENERAL.—Subpart D of part IV of subchapter III of chapter 1 is amended by inserting after section 4975(d) the following:

"Sec. 40A. Credit for retail sale of clean burning fuels as motor vehicle fuel.

"(a) IN GENERAL.—Subpart D of part IV of subchapter III of chapter 1 is amended by inserting after section 4975(d) the following:

"Sec. 40A. Credit for retail sale of clean burning fuels as motor vehicle fuel.

"(a) IN GENERAL.—The term 'sold at retail' means the sale, for a purpose other than resale, after manufacture, production, or importation.

"(b) USE TREATED AS SALE.—If any person uses clean burning fuel as a fuel to propel any qualified motor vehicle (including any vehicle designed to be propelled by the use of any alternative fuel) before such fuel is sold at retail, then such use shall be treated in the same manner as if such fuel were sold at retail as fuel to propel such a vehicle by such person.

"(c) NO DOUBLE BENEFIT.—The amount of the credit determined under subsection (a) shall be reduced by the amount of any deduction or credit allowable under this chapter for fuel taken into account in computing the amount of such credit.

"(d) EFFECTIVE DATE.—The provisions of this section shall not apply to any fuel sold at retail after December 31, 2007.".

(b) CREDIT TREATED AS BUSINESS CREDIT.—Section 4975(e)(6) (relating to business credits) is amended by striking "plus" at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting ":", and by adding at the end the following new clause:

"(13) the clean burning fuel retail sales credit determined under section 40A(a),

(c) USE TREATED AS SALE.—If any person uses clean burning fuel as a fuel to propel any qualified motor vehicle (including any vehicle designed to be propelled by the use of any alternative fuel) before such fuel is sold at retail, then such use shall be treated in the same manner as if such fuel were sold at retail as fuel to propel such a vehicle by such person.

"(d) EFFECTIVE DATE.—The provisions of this section shall apply to property placed in service in taxable years beginning after December 31, 2000.

SEC. 731. EXPANSION OF SECTION 29 TAX CREDIT.

(a) PLACED-IN-SERVICE DATE.—Section 29(g)(1)(A) is amended by striking "July 1, 1998" and inserting "the date which is 8 months after the date of the enactment of the Tax and Public Debt Reduction Act of 1999".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 1999.

SEC. 732. UNIFORM DOLLAR LIMITATION FOR ALL TYPES OF TRANSPORTATION FRINGE BENEFITS.

(a) IN GENERAL.—Paragraph (2) of section 132(f) (relating to qualified transportation fringe) is amended to read as follows:

"(2) LIMITATION ON EXCLUSION.—The aggregate amount of the fringe benefits which are provided by an employer to any employee, and which may be excluded from gross income under subsection (a)(5) shall not exceed $175 per month.

(b) CONFORMING AMENDMENT TO INFLATION ADJUSTMENT.—Section 132(f)(6)(A) (relating to inflation adjustment) is amended by striking the dollar amounts contained in subparagraphs (A) and (B) of paragraph (2) and inserting "the dollar amount contained in paragraph (2)".

SEC. 801. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS

(a) AMENDMENT TO 1986 CODE.—Subparagraph (B) of section 497(a)(6) (relating to exemptions from tax) is amended by striking ":, and" at the end of the paragraph.

(b) AMENDMENT TO ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 108(d)(2)) is amended by adding at the end the following new subparagraph:

"(B) if the employer so elects, additional contributions by the employee which, when added to contributions under subparagraph (A), do not exceed the amount allowed under section 408 of the Internal Revenue Code of 1986 for the taxable year.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to loans made after December 31, 2000.

SEC. 802. CONTRIBUTIONS TO IRAS THROUGH PAYROLL DEDUCTIONS.

(a) DEFINITIONS.—For purposes of this section—

"(1) CONTRIBUTION CERTIFICATE.—The term 'contribution certificate' means a certificat submitted by an employee to the employer's employer which—

"(A) identifies the employee by name, address, and social security number,

"(B) identifies the individual retirement plan to which the employee wishes to make contributions through payroll deductions,

"(C) identifies the amount of such contributions, and

"(D) does not exceed the amount allowed under section 408 of the Internal Revenue Code of 1986 for the taxable year for such year.

"(2) EMPLOYER.—The term 'employer' does not include an employee as defined in section 414(i)(1) of such Code.

"(3) INDIVIDUAL RETIREMENT PLANS.—The term 'individual retirement plan' has the meaning given the term by section 7701(a)(37) of the Internal Revenue Code of 1986.

"(4) SECRETARY.—The term 'Secretary' means the Secretary of the Treasury.

"(b) ESTABLISHMENT OF PAYROLL DEDUCTION SYSTEM.—An employer may establish a system under which employees, through employer payroll deductions, may make contributions to individual retirement plans. An employer shall not incur any liability under title I of the Employee Retirement Income Security Act of 1974 in providing for such a system.

"(c) CONTRIBUTIONS TO INDIVIDUAL RETIREMENT PLANS.—

"(1) IN GENERAL.—The system established under paragraph (b) shall provide that contributions made to an individual retirement plan for any taxable year are—

"(A) contributions through employer payroll deductions, and

"(B) if the employer so elects, additional contributions by the employee which, when added to contributions under subparagraph (A), do not exceed the amount allowed under section 408 of the Internal Revenue Code of 1986 for the taxable year.

"(2) EMPLOYER PAYROLL DEDUCTIONS.—

"(A) IN GENERAL.—The system established under subsection (b) shall provide that an employer may establish and maintain an individual retirement plan simply by—

"(i) completing a contribution certificate, and

"(ii) submitting such certificate to the employee's employer in the manner provided under subparagraph (D).

"(B) CHANGE OF AMOUNTS.—An employee establishing and maintaining an individual retirement plan under paragraph (A) may change the amount of an employer's employer payroll deduction in the same manner as under subparagraph (A).

"(C) SIMPLIFIED FORMS.—

"(D) CONTRIBUTION CERTIFICATE.—The Secretary shall develop a model contribution certificate for purposes of this paragraph—
(1) which is written in a clear and easily understandable language and (II) the completion of which by an employee will constitute the establishment of an individual retirement plan and the request of payroll deductions or changes in such deductions.

(ii) AVAILABILITY.—The Secretary shall make available to all employees and employers the forms developed under subsection (b) and shall include with such forms easy to understand explanatory materials.

(D) USE OF CERTIFICATE.—Each employer electing to adopt a system under subsection (a) shall, upon receipt of a contribution certificate from an employee, deduct the appropriate contribution as determined by such certificate from the employee's wages in equal amounts during the remaining payroll periods for the taxable year and shall remit such amounts for investment in the employee's individual retirement plan not later than the close of the 30-day period following the last day of the month in which such payroll period occurs.

(E) FAILURE TO REMIT PAYROLL DEDUCTIONS.—For purposes of the Internal Revenue Code of 1986, any amount which an employer fails to remit on behalf of an employee pursuant to a contribution certificate of such employee shall not be allowed as a deduction to the employer under such Code.

SEC. 804. CREDIT FOR SMALL EMPLOYER PENSION PLANS AND START-UP COSTS.

(a) In GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related contributions) is amended by adding at the end the following section:

"SEC. 45D. SMALL EMPLOYER PENSION PLAN CREDIT.

"(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan credit determined under this section for any taxable year is an amount equal to the sum of:

"(1) 25 percent of the qualified employer contributions of the taxpayer for the taxable year, and

"(2) 50 percent of the qualified start-up costs paid or incurred by the taxpayer during the taxable year.

"(b) LIMITATIONS.—

"(1) LIMITS TO CONTRIBUTIONS.—For purposes of subsection (a)(1)—

"(A) qualified employer contributions may only be taken into account for each of the first 3 taxable years ending after the date the employer establishes the qualified employer plan to which the contribution is made, and

"(B) the amount of the qualified employer contributions taken into account with respect to any qualified employer for any such taxable year shall not exceed 3 percent of the compensation (as defined in section 414(q)(3)) of the qualified employee for such taxable year.

"(2) LIMITS ON START-UP COSTS.—The amount of the credit determined under subsection (a)(2) for any taxable year shall not exceed—

"(A) $2,000 for the first taxable year ending after the date the employer establishes the qualified employer plan to which such costs relate,

"(B) $1,000 for each of the second and third taxable years ending after the date the employer establishes the qualified employer plan to which such costs relate, and

"(C) zero for each taxable year thereafter.

"(c) DEFINITIONS.—For purposes of this section—

"(1) ELIGIBLE EMPLOYER.—

"(A) IN GENERAL.—The term 'eligible employer' means, with respect to any year, an employer which has no more than—

"(i) for purposes of subsection (a)(1), 25 employees, and

"(ii) for purposes of subsection (a)(2), 100 employees, who received at least $5,000 of compensation from the employer for the preceding taxable year.

"(B) 2-YEAR GRACE PERIOD.—An eligible employer who establishes and maintains a qualified employer plan for 1 or more years and which is not an eligible employer for any subsequent year shall be treated as an eligible employer for the 2 years following the last year the employer was an eligible employer.

"(C) REQUIREMENT FOR NEW QUALIFIED EMPLOYER PLAN.—Such term shall not include an employer if, during the 3-taxable year period preceding the 1st taxable year for which the credit under this section is otherwise allowable for a qualified employer plan of the employer, the employer failed to meet the requirements of paragraph (1), including the employer (or any predecessor of either) established or maintained a qualified employer plan with respect to which contributions were made for substantially the same employees as are in the qualified employer plan.

"(D) PLAN CREDIT REFUNDABLE.—

"(1) the credit which would be allowed without regard to this paragraph and the limitations under paragraph (b), (c), and (d), and

"(2) the amount by which the aggregate amount of credits allowed by this section for such year exceeds the lesser of—

"(i) the credit which would be allowed without regard to this paragraph and the limitations under paragraph (b), (c), and (d), and

"(ii) the amount by which the aggregate amount of credits allowed by this section
SEC. 805. INCREASING LIMITS FOR DEFERRALS TO SIMPLE PLANS.

(a) SIMPLE RETIREMENT ACCOUNTS.—Paragraph (2)(A)(ii) of section 408(p) (relating to simple retirement accounts) is amended by striking "$6,000" and inserting "$6,000".

(b) NONDISCRIMINATION TESTS.—Section 401(h)(11)(A) is amended by striking "$6,000" and inserting "$6,000".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to costs paid or incurred or contributions made in connection with qualified employer plans established after December 31, 2000.

SEC. 806. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF LIMITS.

(a) IN GENERAL.—Section 401, as amended by section 803, is amended by adding at the end the following new subsection:

"(e) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitations described in this section (other than subsection (a), and such elective deferrals shall not be taken into account in applying such limitations to any other contributions.

(b) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF LIMITS.—The amendments made by this section shall apply to years beginning after December 31, 2000.

Subtitle B—Increasing Pension Access and Fairness for Women

SEC. 811. EQUITABLE TREATMENT FOR CONGRESSIONAL RECORD—SENATE

(a) EQUITABLE TREATMENT FOR CONGRESSIONAL RECORD—SENATE

(c) EQUITABLE TREATMENT FOR CONGRESSIONAL RECORD—SENATE

CONGRESSIONAL RECORD—SENATE 18277

CONGRESSIONAL RECORD—SENATE 18277
The nonforfeitable percentage is:

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(e) Effective Dates.—

(1) In General.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2000.

(2) Collective Bargaining Agreements.—In the case of a plan maintained pursuant to 1 or more collective bargaining agreements between employee representatives and 1 or more employers ratified by the date of enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of enactment); or

(ii) January 1, 2001, or

(B) January 1, 2003.

(3) Survivor's Beneficiary.—With respect to any plan, the amendments made by this section shall not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

SEC. 813. DEFERRED ANNUITIES FOR SURVIVING SPOUSES OF FEDERAL EMPLOYEES.

(a) In General.—Section 8341 of title 5, United States Code, is amended—

(1) in subsection (b)(1), by striking “section 8338(b)”, and inserting “section 8338(b), and a former spouse of a deceased former employee who separated from the service with title to a deferred annuity under section 8338 (if they were married to one another prior to the date of separation)”; and

(2) by adding at the end the following:

“(c) Time of Payment.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2000.

SEC. 815. SPOUSES' RIGHT TO KNOW PROPOSAL.

(a) Spouse's Right to Know Distribution Information.—(1) Amendment of Internal Revenue Code.—Section 417(a)(3) (relating to provision of written explanation) is amended by adding at the end the following new subparagraph:

“(C) Explanation to Spouse.—At the time a plan provides a participant with a written explanation under subparagraph (A) or (B), such plan shall provide a copy of such explanation to such participant's spouse. If the last known address of the spouse is the same as the last known address of the participant, the requirement of the preceding sentence shall be treated as met if the copy referred to in the preceding sentence is included in a single mailing made to such address and addressed to both such participant and spouse.”

(2) Amendment of ERISA.—Section 4131(b) of the Employee Retirement Income Security Act of 1974 is amended by adding at the end the following new subparagraph:

“(C) Explanation to Spouse.—At the time a plan provides a participant with a written explanation under subparagraph (A) or (B), such plan shall provide a copy of such explanation to such participant's spouse. If the last known address of the spouse is the same as the last known address of the participant, the requirement of the preceding sentence shall be treated as met if the copy referred to in the preceding sentence is included in a single mailing made to such address and addressed to both such participant and spouse.”

(b) Effective Date.—The amendments made by this section shall apply to payments made after December 31, 2000.

Subtitle C—Increasing Portability of Pension Plans

SEC. 821. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

(a) Rollovers From and to Section 457 Plans.—

(1) Rollovers From Section 457 Plans.—(A) In General.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

“(b) Rollover Amounts.—(A) General Rule.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A),—

(i) any portion of the balance of the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (B)); or

(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible rollover plan described in section 402(c)(8)(B), and

“(B) Certain Rules Made Applicable.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(d) shall apply for purposes of subparagraph (A).

“(C) Reporting.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).”

(b) Deferred Limit Determined Without Regard to Rollover Amounts.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting “(other than rollover amounts)” after “taxable year”.

(c) Direct Rollover.—Paragraph (1) of section 457(d) is amended by striking “and” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “and”, and by inserting after subparagraph (B) the following:

“(D) The plan meets requirements similar to the requirements of section 401(a)(31). Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.”

(d) Withholding.—(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

“(C) Eligible Rollover Distribution.—For purposes of subparagraph (A), the term ‘eligible rollover distribution’ has the meaning given such term by section 402(c)(2)(A).”

(ii) Liability for Withholding.—Subparagraph (D) of section 3401(a) is amended by striking “or” at the end of clause (ii), by striking the period at the end of clause (iii)
that follows up to the end period.

amended by striking ''; except that'' and all

end the following:

and inserting '', or'', and by adding at the end the fol-

lowing new paragraph:

"(II) SEPARATE ACCOUNTING.—Unless a plan
described in clause (v) of paragraph (8) (B) agrees to separately account for amounts rolled into such plan from eligible retire-

ment plans not described in such clause, the plan may not use such amounts.

(C) 10 PERCENT ADDITIONAL TAX.—Sub-

section (c) of section 402(c), as amended by section 4974(c), is amended by inserting after paragraph (3) the following:

"(9) SPECIAL RULE FOR ROLLOVERS TO SEC-

ONAL PLANS.—For purposes of this sub-

section, a distribution from an eligible de-

ferred compensation plan (as defined in sec-

tion 457(b)) of an employer described in section 457(e)(1)(A) is treated as a distribution to an individual which is a person which may be a trustee of an eligible deferred compensation plan not described in such clause, the plan may not use such amounts.

(b) ALLOWANCE OF ROLLOVERS FROM AND TO

403(b) PLANS.—

(1) ROLLOVERS FROM SECTION 403 (b) PLANS.—

Section 403(b)(8)(A)(i)(I) (relating to rollover amounts) is amended by striking "and" and by adding at the end the following:

"(ii) the entire amount received (including any interest earned thereon) which is includible in gross income and the portion of such distribution which is not so includible, or

"(B) CERTAIN RULES MADE APPLICABLE.—

The rules of paragraphs (2) through (7) and

(9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), ex-

cept that section 402(f) shall be applied to the particular plan in question through its administrator.

(8) Section 408(a)(1) is amended by striking "or 408(b)(8)" and inserting '', 403(b)(8), or

section 403(a)'' and inserting '', paragraph (4) of

section 403(a)(4), 403(b)(8), and 457(e)(16)''.

(11) Section 407(b)(1)(A) is amended by

adding at the end the following:

"The preceding sentence shall not apply to all or part of such distribution,

SEC. 822. ROLLERS OF IRA'S INTO WORKPLACE

REirement Plans.

(a) ROLLERS FROM EXEMPT TRUSTS.—

Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the fol-

lowering: "The preceding sentence shall not apply to such distribution to the extent—

"(B) such portion is transferred in a direct trust to a trust for a qualified trust which is part of a plan which is a de-

ined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

"(C) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8) (B), or

"(D) the Internal Revenue Service shall not apply any portion of any distribution to the extent otherwise allocable to such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

"(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B),

(c) RULES FOR APPLYING SECTION 72 TO IRA'S.—

Paragraph (3) of section 408(d) (relating to rollover rules) is amended by inserting at the end the follow-

lowing:

"(H) APPLICATION OF SECTION 72.—

(1) IN GENERAL.—If—

"(i) a distribution is made from an indi-

vidual retirement plan, and

"(ii) a rollover contribution is made to an eligible retirement plan (as defined in section 402(c)(8)(B)(ii), (iv), (v), or (vi) with respect to all or part of such distribution) is permitted solely by reason of the amend-

ments made by this section.

"(2) SIMPLE RETIREMENT ACCOUNTS.—In the case of a simple retirement account (as defined in sub-

section (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account."
as follows:

within 60 days of receipt) is amended to read

``(IV) the election described in subclause

the reasonable control of the individual sub-

against equity or good conscience, including

under subparagraphs (A) and (D) where the

Secretary may waive the 60-day requirement

 trasference of benefits attributable to different employers

within a multiple employer plan.

Clauses (i) and (ii) shall not apply to a trans-

to a transfer unless it is in connection with a bona fide transaction or change in employer.

Except to the extent provided in regu-

Employers within a multiple employer plan.

transfers of benefits attributable to different employers

within a multiple employer plan.

subparagraph: ''The Secretary of the Treasury may by regu-

The amendments

made by this subsection shall apply to years beginning after December 31, 2000.

(b) REGULATIONS.—

(1) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—The last sentence of paragraph (6)(B) of section 411(a)(8) (relating to accrued benefit not to be decreased by amendment) is amended to read as follows: “The Secretary may by regulations provide that this subparagraph shall not apply to any plan amendment that does not adversely affect the rights of participants in a material manner.”

(2) AMENDMENT TO ERISA.—The last sen-

tion to the employee for all plan years beginning after December 31, 2001, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 826. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.

(1) SECTION 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by adding at the end the following:

``(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated;

``(B) such single sum payment is based on the same or greater portion of the participant’s account as the form of distribution being eliminated.”

(2) MODIFICATION OF SAME DESK EXCEPTION.

(1) SECTION 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by adding at the end the following:

``(A) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated;

``(B) such single sum payment is based on the same or greater portion of the participant’s account as the form of distribution being eliminated.”

(3) SECURITIES DIRECTED.—Not later than December 31, 2001, the Secretary of the Treasury is directed to issue final regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g)(2) of the Employee Retirement Income Security Act of 1974. Such regulations shall apply to plan years beginning after December 31, 2001, or such earlier date as is specified by the Secretary of the Treasury.
plan without establishment or maintenance of an "applicable rollover arrangement" (other than an employee stock ownership plan as defined in section 4975(e)(7)).

(C) Section 403(k)(10) is amended—
(i) in subparagraph (B), by inserting "an event" in clause (I) and inserting "A termination", and
(ii) by striking "the event" in clause (I) and inserting "the termination";
and
(iii) by striking or inserting "disposition of assets or subsidiary" in the heading;
(2) Subsection (b) is amended by adding at the end the following:
"403(b) is amended by adding at the end the following:
(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto).
(2) AMENDMENT TO ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:
"4. A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto).
(3) SEC. 857.—Clause (i) of section 457(d)(1)(A) is amended by striking "is separated from service" and inserting "has a severance from employment".
(a) 403(b) PLANS.—Subsection (b) of section 457 is amended by striking at the end the following new paragraph:
"(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—
"(A) for the purchase of permissive service credit (as defined in section 415(d)(3)(A)) under such plan, or
"(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof;"
(b) 425 PLANS.—
(1) Subsection (e) of section 415 is amended by adding after paragraph (17) the following new paragraph:
"(18) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—
"(A) for the purchase of permissive service credit (as defined in section 415(d)(3)(A)) under such plan, or
"(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof;"
(2) Section 415(b)(2) is amended by striking "other than rollover amounts" and inserting "other than rollover amounts and amounts received in a transfer referred to in subsection (e)(16)"
(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers of assets to defined benefit plans after December 31, 2000.
Sec. 828. HARM TO DISCREDIT ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.
(a) QUALIFIED PLANS.—
(1) AMENDMENT.—Section 411(a)(11) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by striking "or disposition of assets or subsidiary" after December 31, 2000.
(b) STATEMENT CONFORMING AMENDMENT.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:
"(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after final regulations implementing subsection (c) of section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(b)(1)) are prescribed.
Sec. 833. CIVIL PENALTIES FOR BREACH OF FIDUCIARY RESPONSIBILITY.
(a) IMPOSITION AND AMOUNT OF PENALTY MADE DISCRETIONARY.—Section 502(k)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(b)(1)) is amended by striking "shall" and inserting "may", and
(2) by striking "and" and inserting "not greater than"
(b) APPLICABLE RECOVERY AMOUNT.—Section 502(k)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(b)(2)) is amended to read as follows:
"(1) To the extent of any fiduciary or other person with respect to a breach or violation described in paragraph (1) or on the 90th day following receipt by such fiduciary or other person of written notice from the Secretary of the violation, whether paid voluntarily or by order of a court in a judicial proceeding instituted by the Secretary under subsection (a)(12) or (a)(5), the term 'applicable recovery amount' means any amount which is recovered from (or on behalf of) any fiduciary or other person with respect to a breach or violation described in paragraph (1) or on the 90th day following receipt by such fiduciary or other person of written notice from the Secretary of the violation, whether paid voluntarily or by order of a court in a judicial proceeding instituted by the Secretary under subsection (a)(12) or (a)(5). The Secretary may, in the Secretary's sole discretion, extend the 90-day period described in the preceding sentence.
(c) OTHER RULES.—Section 502(k) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(b)(2)) is amended by adding at the end the following:
"(5) A person shall be jointly and severally liable for the penalty described in paragraph (1) to the same extent that such person is jointly and severally liable for the applicable recovery amount on which the penalty is based.
"(6) No penalty shall be assessed under this subsection unless the person against whom the penalty is assessed is given notice and opportunity for a hearing with respect to the violation and applicable recovery amount;" (d) EFFECTIVE DATE.—The amendments made by this section shall apply to any action or claim, including any action or claim commenced by the Secretary of Labor, pending on or after the date of enactment of this Act.
with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

(2) Noncompliance Period.—For purposes of this section, the term ‘noncompliance period’ means, with respect to any failure, the period of time beginning on the date the failure first occurs and ending on the date the failure is corrected.

(3) Minimum Tax for Noncompliance Period Where Failure Discovered After Notice of Examination.—Notwithstanding paragraphs (1) and (2) of subsection (c)—

(1) In General.—In the case of 1 or more failures with respect to an applicable individual—

(i) which are not corrected before the date a notice of examination of income tax liability is sent to the employer, and

(ii) which occurred or continued during the period under examination,

the amount of tax imposed by subsection (a) by reason of such failures with respect to such beneficiary shall not be less than the lesser of $2,500 or the amount of tax which would be imposed by subsection (a) without regard to such paragraphs.

(2) Higher Minimum Tax Where Violations Are More Than De Minimis.—To the extent violations by the employer (or the plan in the case of a multiemployer plan, the taxable year of the plan) for any such period during the taxable year are more than de minimis, subparagraph (A) shall be applied by substituting ‘$15,000’ for ‘$2,500’ with respect to the employer (or such plan).

(4) Limitation on Amount of Tax.—

(1) Tax Not to Apply Where Failure Not Discovered Exercising Reasonable Diligence.—No tax shall be imposed by subsection (a) on any failure occurring during any period for which the employer (or the plan in the case of a multiemployer plan, the employer), or the employer organization representing participants on behalf of the employer (or the plan in the case of a multiemployer plan, the employer), could have known, that such failure existed.

(2) Notice Requirements for Plans Significantly Reducing Benefit Accruals.—

(e) Notice Requirements for Plans Significantly Reducing Benefit Accruals.—(1) In General.—If a large defined benefit plan adopts an amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more participants, the amendment shall not constitute a qualified trust under this section unless, after adoption of such amendment, the plan administrator provides—

(A) a written statement of benefit change described in paragraph (2) to each applicable individual, and

(B) a written notice setting forth the plan amendment and its effective date to each employee organization representing participants in the plan.

Any such notice may be provided to a person designated, in writing, by the person to which it would otherwise be provided. The plan administrator shall not be treated as failing to meet the requirements of this paragraph merely because the statement or notice is not provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

(2) Statement of Benefit Change.—A statement of benefit change described in this subparagraph shall—

(A) be written in a manner calculated to be understood by the average plan participant, and

(B) include the information described in paragraph (3).

(3) Information Contained in Statement of Benefit Change.—The information described in this paragraph includes the following:

(A) Notice setting forth the plan amendment and its effective date.

(B) A comparison of the following amounts under the plan as of the effective date of the plan amendment with amounts under the plan that would have been in effect immediately preceding the calendar year before the calendar year in which such effective date occurs:

(i) The projected accrued benefit and the projected present value of the accrued benefit as of the date which is 3 years, 5 years, and 10 years from the effective date and as of the normal retirement age.

Such comparison may include a statement that ‘The projected benefits were computed using assumptions required under Federal law and may not prove accurate over time.’

(C) A table of all annuity factors used to calculate benefits under the plan, presented in the form provided in section 72 and the regulations thereunder.

Benefits described in subparagraph (B) shall be stated separately and shall be calculated by using the applicable mortality table and the applicable interest rate under section 417(e)(3)(A). The Secretary may prescribe regulations under which information other than that described in this paragraph may be provided in cases where the comparative benefits are not needed.

(4) Employer Held Harmless.—A plan (and any employer maintaining the plan) which fails to meet the requirements of this subsection (or as being liable to any applicable individual) by reason of any projected amounts under paragraphs (1) and (2) would have known, that such tax would be excessive relative to the failure involved.

(5) Large Defined Benefit Plan; Applicable Individual.—For purposes of this subsection—

(A) Large Defined Benefit Plan.—The term ‘large defined benefit plan’ means any defined benefit plan which had 1,000 or more participants who had accrued a benefit under the plan (whether or not nonforfeitable) as of the last day of the plan year preceding the plan year in which the plan amendment begins to be in effect or, if the plan is a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)).

(B) Applicable Individual.—The term ‘applicable individual’ means—

(i) each participant in the plan, and

(ii) any employee who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)) who has a nonforfeitable benefit under the plan as of the effective date of the plan amendment and who may reasonably be expected to be affected by the plan amendment.

(6) Accrued Benefit; Projected Retirement Benefit.—For purposes of this subsection—

(A) Present Value of Accrued Benefit.—The present value of an accrued benefit of any applicable individual shall be calculated as if the accrued benefit were in the form of a single life annuity commencing at the participant’s normal retirement age (and by taking into account any early retirement subsidy).

(B) Projected Accrued Benefit.—

(i) In General.—The projected accrued benefit of any applicable individual shall be calculated as if the benefit were payable in the form of a single life annuity commencing at the participant’s normal retirement age (and by taking into account any early retirement subsidy).

(ii) Compensation and Other Assumptions.—Such benefit shall be calculated by assuming that compensation and all other benefit factors would increase for each plan year following the year in which the plan amendment becomes effective at a rate equal to the medium average of the CPI increase percentage (as defined in section 253(i) of the Social Security Act) for the 5 calendar years immediately preceding the calendar year before the calendar year in which such effective date occurs.

(iii) Benefit Factors.—For purposes of clause (ii), the term ‘benefit factors’ means social security benefits and all other relevant factors under section 411(b)(1)(A) used to compute benefits under the plan which had increased from the 24 plan year preceding the plan year in which the effective date of the plan amendment occurs to the 1st such preceding plan year.

(C) Normal Retirement Age.—The term ‘normal retirement age’ means the later of—

(i) the date determined under section 415(a) of the plan, or

(ii) the date a plan participant attains age 65.

(7) Conforming Amendment.—The table of sections for chapter 43 of subtitle D is amended by adding at the end the following new item:

“Sec. 4980F. Failure of defined benefit plans reducing benefit accruals to satisfy notice requirements.”

(b) Amendments to ERISA—
SEC. 841. PERIODIC PENSION BENEFITS STATEMENT.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(a)) is amended by adding at the end of the following new paragraphs: 

"(9)(A) If paragraph (1) applies to the adoption of a plan amendment by a defined benefit plan, the plan administrator shall, after adoption of such amendment and not less than 15 days before its effective date, provide the notice under paragraph (1) of a written statement of benefit change described in subparagraph (B) to each applicable individual. The Secretary may provide that paragraph (1) shall not apply to an amendment by reason of a failure under this paragraph if such application would be an excessive penalty relative to the failure involved.

"(B) A statement of benefit change described in this subparagraph shall—

"(i) be written in a manner calculated to be understood by the average plan participant, and

"(ii) include the information described in subparagraph (C).

"(C) The information described in this subparagraph includes the following:

"(i) (C) A comparison of the following amounts under the plan with respect to an applicable individual in both with and without regard to the plan amendment:

"(I) The accrued benefit and the present value of the accrued benefit as of the effective date.

"(II) The projected accrued benefit and the projected present value of the accrued benefit as of the date which is 3 years, 5 years, and 10 years from the effective date and as of the normal retirement age.

Such comparison shall include a statement that ‘The projected benefits were computed using assumptions required under Federal law and may not prove accurate over time.’

"(ii) A table of all annuity factors used to calculate benefits under the plan, presented using the applicable mortality table and the applicable interest rate under section 204(b)(1)(A) used to compute benefits under the plan which had increased from the 2d plan year preceding the plan year in which the effective date of the plan amendment occurs to the last such preceding plan year.

"(iii) The term ‘normal retirement age’ means the later of—

"(I) the date determined under section 3(24), or

"(II) the date a plan participant attains age 62.

"(4) A plan administrator shall not be treated as failing to meet the requirements of this subsection merely because the notice or statement is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

(b) CONSEQUENTIAL AMENDMENT.—Section 204(h)(1) of such Act (29 U.S.C. 1054(h)(1)) is amended by striking ‘‘or’’ at the end of subparagraph (A) of such section and inserting ‘‘shall furnish to any plan participant or beneficiary who so requests in writing, a statement in written or electronic form."

SEC. 842. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 312 (relating to exclusion from gross income) is amended by striking ‘‘or’’ at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting ‘‘, or’’, and by adding at the end the following new paragraph:

"(7) qualified retirement planning advice.

(b) QUALIFIED RETIREMENT PLANNING ADVICE DEFINED.—Section 312 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (n) the following:

"(m) QUALIFIED RETIREMENT PLANNING ADVICE."

"(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect in plan years beginning on or after the earlier of—

"(A) the later of—

"(i) January 1, 1989, or

"(ii) the date on which the last of the collective bargaining agreements pursuant to which the plan is maintained terminates (determined without regard to any extension thereof after the date of the enactment of this Act), or


"(2) EXCEPTION WHERE NOTICE GIVEN.—The amendments made by this section shall not apply to any plan amendment for which written notice was given to participants or their representatives before March 19, 1979, without regard to whether the amendment was adopted before such date.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning on or after December 31, 2000.

Subtitle F—Reducing Red Tape

SEC. 851. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEPARTMENT.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by
striking "or" at the end of clause (ii), by redesignating clause (ii) as clause (iv), and by inserting after clause (ii) the following:

"(iii) is, at the election of such participants or their beneficiaries, (I) payable as provided in clause (i) or (ii), or (II) paid to the plan and reinvested in qualifying employer securities, or;"

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 852. REDUCED PBGC PREMIUM FOR NEW SINGLE-EMPLOYER PLANS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subparagraph (A) of section 4066(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

(1) in clause (i), by inserting "or any predecessor employer" as so defined," after "single-employer plan,"

(2) in clause (iii), by striking the period at the end and inserting ": and", and

(3) by adding at the end the following new clause:

"(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined), after "single-employer plan,"

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2000.

SEC. 854. ELIMINATION OF USER FEE FOR QUESTS TO IRS REGARDING NEW PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury shall not require payment of user fees under the program established under section 7527 of the Internal Revenue Code of 1986 for Internal Revenue Service for ruling letters, opinion letters, and determination letters or similar requests with respect to the qualified status of a new pension benefit plan or any trust which is part of the plan.

(b) NEW PENSION BENEFIT PLAN.—For purposes of this section—

(1) IN GENERAL.—The term "new pension benefit plan" means a pension, profit-sharing, stock bonus, annuity, or employee stock benefit plan "(2) ELIGIBLE EMPLOYER.—The term "eligible employer" means an employer (as so defined) which is a participant in such plan during the plan year.

SEC. 855. DISTRIBUTION ANALYSIS OF PENSION TAX BENEFITS.

(a) ANALYSIS.—The Secretary of the Treasury shall, not later than June 30, 2000 conduct a distribution analysis of the tax benefits of major pension and retirement savings arrangements by income group.

(b) REPORT.—The Secretary shall report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives the results of the analysis under subsection (a). To the extent feasible, the Secretary shall report preliminary results of such analysis within 60 days of the date of the enactment of this Act.

Subtitle G—Other Provisions

SEC. 303. TAX CREDIT FOR MATCHING CONTRIBUTIONS TO INDIVIDUAL DEVELOPMENT ACCOUNTS.

(a) IN GENERAL.—Subchapter F of chapter 1 of title 26 (relating to exempt organizations) is amended—

(1) by striking "in the case of a qualified roll-over account established under paragraph (4)(B))—

(2) by inserting after paragraph (4)(B) the following:

"(5) Except as provided in subsection (c), any amount in the account may be paid out only for qualified expense distributions."

(b) MATCHING CONTRIBUTIONS WITH RESPECT TO INDIVIDUAL DEVELOPMENT ACCOUNTS.—

(1) IN GENERAL.—If an eligible individual establishes an Individual Development Account with a qualified financial institution, the qualified financial institution may depo-

(2) ELIGIBLE MATCHING CONTRIBUTION.—For purposes of this section, the term "eligible matching contribution" means a dollar-for-

(C) CREDIT TREATED AS ALLOWED UNDER SUBCHAPTER A.—For purposes of this section, the term "Individual Development Account" means a custo-

(2) the next highest multiple of $10.

(3) The interest of an eligible individual in such plan (or any predecessor employer) which has not established or maintained a qualified employer plan, the sponsor or any member of such plan with respect to which certain pension benefits were accrued for substantially the same employees, for purposes of this section, the term "Individual Development Account" means a qualified financial institution.

(3) Except as provided in subsection (c), any amount in the account may be paid out only for qualified expense distributions.

(b) EFFECTIVE DATE.—The amendments described in paragraph (c) shall be treated as a credit against the tax imposed by this chapter for the taxable year an amount equal to 85 percent of the eligible matching contributions made by such institution with respect to an eligible individual under this subsection for such taxable year (determined without regard to any amount described in paragraph (4)(B)). If any amount determined under this paragraph and multiplied by the multiple of $10, such amount shall be rounded to the nearest highest multiple of $10.

(b) LIMITATION ON AMOUNT OF TAX.—The credit allowed under paragraph (A) for any taxable year shall not exceed the excess of—

(1) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

(2) the sum of the credits allowable under part IV of chapter A of this chapter.

(c) ALLOCABLE AMOUNT UNDER PART IV OF SUBCHAPTER A.—For purposes of this chapter, the credit allowed under subparagraph (A) shall be treated as a credit allowable under part IV of subchapter A of this chapter.

(3) Except as provided in subparagraph (A), the term "Participant's Account" means—

(4) FORFEITURE OF MATCHING FUNDS.—
For purposes of this section—

such individual.

the earnings thereon deposited into a match-

come of an eligible individual shall not in-

(A) shall be used by the qualified financial

account to make eligible matching con-

for other Individual Development

individual contributions by eligible individu-

(5) EXCLUSION FROM INCOME.—Gross in-

inclusion any eligible matching contribution and

activity may be made for any taxable

Contribution for Other Individual Devel-

(b) USE OF FORFEITTED FUNDS.—Eligible

matching contributions which are forfeited

by an eligible individual under subparagraph

(A) shall be used by the qualified financial

institutions.

section for an eligible individual shall be re-

Section 530A(a),'' after ''section 408(a)''.

(1) by inserting ''or section 530A'' after

(1) ELIGIBLE INDIVIDUAL.—

(A) IN GENERAL.—The term ‘eligible indi-

vidual’ means an individual who—

(i) has earned income for the taxable year,

(ii) is a citizen or legal resident of the

United States, and

(iii) is a member of a household—

(1) IN GENERAL.—The term ‘qualified busi-

ness capitalization costs’ means qualified ex-

penditures for the capitalization of a quali-

fied business pursuant to a qualified business

plan.

(ii) qualified first-time homebuyer costs.

(iii) Qualified first-time homebuyer costs.

(i) qualified higher education expenses.

(ii) POSTSECONDARY VOCATIONAL EDU-

cational schools as eligible educational

institutions.

(ii) business capitalization costs.

(iv) Qualified rollovers.

(B) QUALIFIED HIGHER EDUCATION EX-

PENSES.—

(iv) in General.—The term ‘qualified high-

er education expenses’ has the meaning

of section 121) for a qualified first-

homebuyer costs’ means qualified acquisition

costs (as determined by the Department of Hous-

ing and Urban Development) for the benefit of the eligible indi-

vidual. Rules similar to the rules of section

408(d)(3) (other than subparagraph (C) there-

of) shall apply for purposes of this subpara-

graph.

(d) Definitions and Special Rules.—For

purposes of this section—

(1) ELIGIBLE INDIVIDU-

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vidual’ means an individual who—

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(ii) is a citizen or legal resident of the

United States, and

(iii) is a member of a household—

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vidual. Rules similar to the rules of section

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graph.

(d) Definitions and Special Rules.—For

purposes of this section—

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(i) has earned income for the taxable year,

(ii) is a citizen or legal resident of the

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408(d)(3) (other than subparagraph (C) there-

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(d) Definitions and Special Rules.—For

purposes of this section—

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(i) has earned income for the taxable year,

(ii) is a citizen or legal resident of the

United States, and

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(ii) qualified first-time homebuyer costs.

(iii) Qualified first-time homebuyer costs.

(i) qualified higher education expenses.

(ii) POSTSECONDARY VOCATIONAL EDU-

cational schools as eligible educational

institutions.

(ii) business capitalization costs.
and inserting the following:

Part IX. Individual development accounts.

(5) Funds in accounts disregarded for purposes of certain means-tested Federal programs.—Notwithstanding any other provision of the Internal Revenue Code of 1986 or the Social Security Act that requires consideration of 1 or more financial circumstances of an individual, for the purpose of determining eligibility to receive, or the amount of, any assistance or benefit authorized by such provision to be provided to or for the benefit of such individual, contributions (including earnings thereon) in any Individual Development Account and applicable matching account under section 530A of such Code shall be disregarded for such purpose.

(g) Effective date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 862. FEDERAL EMPLOYEE RETIREMENT CONTRIBUTIONS.

(a) Deductions, Contributions, and Deposits.—

(1) Civil Service Retirement System.—The table under section 833(c) of title 5, United States Code, is amended—

(A) in the matter relating to an employee by striking:


and inserting the following:

7 After December 31, 1999.

(B) in the matter relating to a Member or employee for Congressional employee service by striking:

7.5 After December 31, 2002.

and inserting the following:

7 After December 31, 1999.

(C) in the matter relating to a Member for Member service by striking:

8 After December 31, 2002.

and inserting the following:

8 After December 31, 1999.

(2) Federal Employees' Retirement System.—Section 8422(a) of title 5, United States Code, is amended by striking paragraph (3), by inserting the following:

7.5 After December 31, 1999.

and

(D) in the matter relating to a law enforcement officer for law enforcement service and firefighter for firefighter service by striking:

7.5 After December 31, 2002.

and inserting the following:

7.5 After December 31, 1999.

(E) in the matter relating to a bankruptcy judge by striking:

8 After December 31, 2002.

and inserting the following:

8 After December 31, 1999.

(F) in the matter relating to a judge of the United States Court of Appeals for the Armed Forces for service as a judge of that court by striking:

8 After December 31, 2002.

and inserting the following:

8 After December 31, 1999.

(G) in the matter relating to a United States magistrate by striking:

8 After December 31, 2002.

and inserting the following:

8 After December 31, 1999.

(H) in the matter relating to a Court of Federal Claims judge by striking:

8 After December 31, 2002.

and inserting the following:

8 After December 31, 1999.

(I) in the matter relating to the Capitol Police by striking:

7.5 After December 31, 2002.

and inserting the following:

7.5 After December 31, 1999.

and

(2) Federal Employers' Retirement System.—Section 8422(a) of title 5, United States Code, is amended to read as follows:

(6) The percentage of basic pay under section 204 of title 37 payable under paragraph (1), with respect to any period of military service performed during January 1, 1999, through December 31, 1999, shall be 3.25 percent.

(2) Volunteer service.—Section 8422(f)(4) of title 5, United States Code, is amended to read as follows:

(4) The percentage of the readjustment allowance or stipend (as the case may be) payable under paragraph (1), with respect to any period of volunteer service performed during January 1, 1999, through December 31, 1999, shall be 3.25 percent.

(c) Other Federal Retirement Systems.—

(1) Central Intelligence Agency Retirement and Disability System.—

(A) Deductions, withholdings, and deposits.—Section 7001(c)(2) of the Balanced Budget Act of 1997 (Public Law 105–33; 111 Stat. 659) is amended to read as follows:

(2) Individual deductions, withholdings, and deposits.—Notwithstanding section 211(a)(1) of the Central Intelligence Agency Retirement Act (50 U.S.C. 2021(a)(1)) beginning on January 1, 1999, through December 31, 1999, the percentage deducted and withheld from the basic pay of an employee participating in the Central Intelligence Agency Retirement and Disability System shall be 7.25 percent.

(B) Military service.—Section 252(h)(4)(A) of the Central Intelligence Agency Retirement Act (50 U.S.C. 2022(h)(4)(A)), is amended to read as follows:

(4)(h)(4)(A) Each participant who has performed military service before the date of separation on which entitlement to an annuity under this title is based may pay to the Agency an amount equal to 7 percent of the
amount of basic pay paid under section 204 of title 37, United States Code, to the participant for each period of military service after December 31, 1956, except, the amount to be paid for military service performed beginning on January 1, 1999, through December 31, 1999, shall be 7.25 percent of basic pay.

(2) Foreign Service Retirement and Disability System.—
(A) General.—Section 7001(d)(2) of the Balanced Budget Act of 1997 (Public Law 105-33; 111 Stat. 660) is amended by striking subparagraphs (A) and (B) and inserting the following:

"(A) IN GENERAL.—Notwithstanding section 805(a)(3) of the Foreign Service Act of 1980 (22 U.S.C. 4045(a)(3)), beginning on January 1, 1999, through December 31, 1999, the amount withheld and deducted from the basic pay of a participant in the Foreign Service Retirement and Disability System shall be 7.25 percent.


(2) Conforming Amendment.—Section 805(b)(1) of the Foreign Service Act of 1980 (22 U.S.C. 4045(b)(1)) is amended in the table in the matter following subparagraph (B) by striking:

"January 1, 1970, through December 31, 1998, inclusive" and inserting:

"January 1, 1999, through December 31, 1999, inclusive"

January 1, 2000, through December 31, 2000, inclusive

January 1, 2001, through December 31, 2001, inclusive

After December 31, 2002

and inserting the following:

"January 1, 1970, through December 31, 1998, inclusive"

January 1, 1999, through December 31, 1999, inclusive

January 1, 2000, through December 31, 2000, inclusive

January 1, 2001, through December 31, 2001, inclusive

(3) Foreign Service Pension System.—
(A) In General.—Section 856(a)(1) of the Foreign Service Act of 1980 (22 U.S.C. 4071c(a)(1)) is amended to read as follows:

"The applicable percentage under this subsection shall be:

7.5 Before January 1, 1999.


B. Voluntary Service.—Section 856(c)(1) of the Foreign Service Act of 1980 (22 U.S.C. 4071c(c)(1)) is amended by striking all after "volunteer service;" and inserting "except, the amount to be paid for volunteer service begins on October 1, 1999, through December 31, 1999, shall be 3.25 percent."

(e) Effective Date.—This section and the amendments made by this section shall take effect on December 31, 1999.

SEC. 863. EXCLUSION FROM INCOME OF SEVERANCE PAYMENT AMOUNTS

(a) Exclusion From Income of Severance Payment Amounts.—Part III of subsection B of chapter 1 (relating to items specifically excluded from gross income) is amended by redesignating section 139 as section 140 and by inserting after section 138 the following new section:

"SEC. 139. SEVERANCE PAYMENTS.

"(a) IN GENERAL.—In the case of an individual, gross income shall not include any qualified severance payment received by an individual if—

(A) such payment was paid by such individual's employer on account of such individual's separation from employment;

(B) such separation was in connection with a reduction in the work force of the employer; and

(C) such individual does not attain employment within 6 months of the date of such separation in which the amount of compensation is equal to or greater than 85 percent of the amount of compensation for the employment that is related to such payment.

"(2) LIMITATION.—Such term shall not include any payment received by an individual if the aggregate amount received with respect to the separation from employment exceeds $75,000.

(b) Clerical Amendment.—The table of sections for part III of chapter 1 of title 37, United States Code, to the participant in the Foreign Service Retirement and Disability System shall be 7.25 percent.

(2) Conforming Amendment.—Section 854(c)(1) of the Foreign Service Act of 1974 (29 U.S.C. 1054(g)) is amended in the table in the matter following subparagraph (B) by striking:

"January 1, 1970, through December 31, 1998, inclusive" and inserting:

"January 1, 1999, to December 31, 1999, inclusive"

(3) Foreign Service Pension System.—
(A) In General.—Section 856(a)(1) of the Foreign Service Act of 1980 (22 U.S.C. 4071c(a)(1)) is amended to read as follows:

"The applicable percentage under this subsection shall be:

7.5 Before January 1, 1999.


B. Voluntary Service.—Section 856(c)(1) of the Foreign Service Act of 1980 (22 U.S.C. 4071c(c)(1)) is amended by striking all after "volunteer service;" and inserting "except, the amount to be paid for volunteer service begins on October 1, 1999, through December 31, 1999, shall be 3.25 percent."

(e) Effective Date.—This section and the amendments made by this section shall take effect on December 31, 1999.
(A) any amount distributed from a FARRM Account of the taxpayer during such taxable year, and

(B) any deemed distribution under—

(1) subsection (f)(1) (relating to deposits not distributed within 5 years),

(2) subsection (f)(2) (relating to cessation in eligible farming business), and

(3) subparagraph (A) or (B) of subsection (f)(3) (relating to prohibited transactions and pledging account as security).

(2) EXCEPTIONS.—Paragraph (1)(A) shall not apply to—

(A) any distribution to the extent attributable to income of the Account, and

(B) the distribution of any contribution paid during a taxable year to a FARRM Account to the extent that such contribution exceeds the limitation applicable under subsection (b) if requirements similar to the requirements of section 408(d)(4) are met.

For purposes of subparagraph (A), distributions shall be treated as first attributable to income and then to other amounts.

(f) SPECIAL RULES.—

(1) TAX ON DEPOSITS IN ACCOUNT WHICH ARE NOT DISTRIBUTED WITHIN 5 YEARS.—

(2) At the close of any taxable year, there is a nonqualifying balance in any FARRM Account—

(i) there shall be deemed distributed from such account such taxable year an amount equal to such balance, and

(ii) the taxpayer’s tax imposed by this chapter for such taxable year shall be increased by 10 percent of such deemed distribution.

The preceding sentence shall not apply if an amount equal to such nonqualifying balance is distributed from such Account to the taxpayer before the due date (including extensions) for filing the return of tax imposed by this chapter for such year (or, if earlier, the date the taxpayer files such return for such year).

(B) NONQUALIFIED BALANCE.—For purposes of subparagraph (A), the term ‘nonqualifying balance’ means any balance in the Account on the last day of the taxable year which is not attributable to amounts deposited in such Account before the 4th preceding taxable year.

(C) ORDERING RULE.—For purposes of this paragraph, distributions from a FARRM Account (other than distributions of current income) shall be treated as made from deposits in the order in which such deposits were made, beginning with the earliest deposits.

(D) CESSATION IN ELIGIBLE FARMING BUSINESS.—At the close of the first disqualification period after a period for which the taxpayer was engaged in an eligible farming business, there shall be deemed distributed from the FARRM Account of the taxpayer an amount equal to the balance in such Account (if any) at the close of such disqualification period. For purposes of the preceding sentence, the term ‘disqualification period’ means consecutively 2 consecutive taxable years for which the taxpayer is not engaged in an eligible farming business.

(3) CERTAIN RULES TO APPLY.—Rules similar to the following rules shall apply for purposes of this section:

(A) Section 220(h) (relating to treatment on death).

(B) Paragraph 408(e)(2) (relating to loss of exemption of account when individual engages in prohibited transactions).

(C) Section 408(e)(4) (relating to effect of pledging account as security).

(D) Section 408(g) (relating to community property laws).

(E) Section 408(h) (relating to custodial accounts).

(F) Paragraph (4) of section 469(e) (relating to payments).

(G) Section 469(f)(1)(A) (relating to community property laws).

(H) Paragraph (1) of section 4973(e) (relating to prohibited transactions).

(I) Paragraph (4) of section 501(c)(1)(A) (relating to prohibited transactions).

(J) Paragraph (5) of section 501(c)(1)(A) (relating to prohibited transactions).

(K) Paragraph (6) of section 501(c)(1)(A) (relating to prohibited transactions).

(L) Paragraph 4975(e)(2) (relating to prohibited transactions).

(M) Paragraph 4975(e)(3)(A) (relating to prohibited transactions).

(N) Paragraph 4975(e)(3)(B) (relating to prohibited transactions).

(O) Paragraph 4975(e)(3)(C) (relating to prohibited transactions).

(P) Paragraph 4975(e)(3)(D) (relating to prohibited transactions).

(Q) Paragraph 4975(e)(3)(E) (relating to prohibited transactions).

(R) Paragraph 4975(e)(3)(F) (relating to prohibited transactions).

(S) Paragraph 4975(e)(3)(G) (relating to prohibited transactions).

(T) Paragraph 4975(e)(3)(H) (relating to prohibited transactions).

(U) Paragraph 4975(e)(3)(I) (relating to prohibited transactions).

(V) Paragraph 4975(e)(3)(J) (relating to prohibited transactions).

(W) Paragraph 4975(e)(3)(K) (relating to prohibited transactions).

(X) Paragraph 4975(e)(3)(L) (relating to prohibited transactions).

(Y) Paragraph 4975(e)(3)(M) (relating to prohibited transactions).

(Z) Paragraph 4975(e)(3)(N) (relating to prohibited transactions).

(A) Internal Revenue Code.—Section 469(e) is amended by adding after subparagraph (E) the following:

'(F) SFEE DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT.—The deduction allowable by section 469(e) (relating to self-employment) is amended by striking "an arrangement'' and inserting "a lease agreement''

(B) Social Security Act.—Section 211(a)(1)(A) of the Social Security Act is amended by striking "an arrangement'' and inserting "a lease agreement''

(C) EXCLUSION OF CERTAIN FARMLAND FROM SELF-EMPLOYMENT.''

(2) Paragraph (1) of section 4975(e) is amended by adding after subparagraphs (E) and (F) as subparagraphs (G) and (H), respectively, and by inserting after subparagraph (D) the following:

'(I) paragraph (1) of section 4975(e) (relating to FARRM Accounts).

(e) CLERICAL AMENDMENT.—The table of sections for subpart C of part II of subchapter E of chapter 1 is amended by inserting after the item relating to section 468B the following:

'Sec. 486C. Farm and Ranch Risk Management Accounts.''

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 902. LEASE AGREEMENT RELATING TO EXCLUSION OF CERTAIN FARM RENTAL INCOME FROM GROSS INCOME FROM SELF-EMPLOYMENT.

(a) INTERNAL REVENUE CODE.—Section 469(a)(3) (relating to net earnings from self-employment) is amended by striking ‘an arrangement’ and inserting ‘a lease agreement’

(b) SOCIAL SECURITY ACT.—Section 211(a)(1)(A) of the Social Security Act is amended by striking ‘an arrangement’ and inserting ‘a lease agreement’

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 903. EXCLUSION OF GAIN FROM SALE OF CERTAIN FARMLAND.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 (relating to items specifically excluded from gross income) is amended by adding after section 121 the following new section:

'SEC. 121A. EXCLUSION OF GAIN FROM SALE OF QUALIFIED FARM PROPERTY.

'(a) EXCLUSION.—In the case of a natural person, gross income shall not include gain from the sale or exchange of qualified farm property, to the extent such property does not exceed 160 acres.

'(b) LIMITATION ON AMOUNT OF EXCLUSION.—

'(1) IN GENERAL.—The amount of gain excluded from gross income under subsection (a) with respect to any taxable year shall not exceed $500,000 ($250,000 in the case of a married individual filing a separate return), reduced by the aggregate amount of gain excluded under subsection (a) for all preceding taxable years.

'(2) SPECIAL RULE FOR JOINT RETURNS.—The amount of the exclusion under subsection (a) on a joint return for any taxable year shall be allocated equally between the spouses for purposes of applying the limitation under paragraph (1) for any succeeding taxable year.

'(c) QUALIFIED FARM PROPERTY.—

'(1) QUALIFIED FARM PROPERTY.—For purposes of this section, ‘qualified farm property’ means property located in the United States if—

'(A) during periods aggregating 3 years or more of the 5 years ending on the date of the sale or exchange of such real property—
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SEC. 907. NET OPERATING LOSS OF FARMERS.

(a) INCREASE IN CARRYBACK YEARS.—Para-

graph (1) of section 172(b) (relating to net oper-

ating loss carrybacks and carryforwards) is ame-

died by adding at the end the following new sub-

paragraph:

(2) FARMING LOSSES.—Subparagraph (A) shall be applied—

(i) in the matter preceding clause (i), by substituting ‘‘any taxable year beginning with the 3rd taxable year after December 31, 2000, in taxable years ending after such date.’’

(ii) in clause (i), by substituting ‘‘19 years’’ for ‘‘2 years’’.

(b) DEFINITIONS AND RULES RELATING TO FARMING LOSSES.—Section 172 is amended by redesignating subsection (i) as subsection (j) and inserting after subsection (b) the following new subsection:

(1) IN GENERAL.—The term ‘farming losses’ means the lesser of—

(D) Definitions.—For purposes of this paragraph—

(i) FARM PROPERTY.—The term ‘farm property’ means real and personal property used by the taxpayer in the trade or business of farming (within the meaning of section 2032A).

(ii) MODIFIED ADJUSTED GROSS INCOME.—The term ‘modified adjusted gross income’ means adjusted gross income as determined under section 62.

(iii) EQUITY.—The term ‘equity’ means, with respect to any property, an amount equal to—

(I) the fair market value of such property, minus

(II) any indebtedness relating to such property.

(iv) 50 PERCENT OWNER.—The term ‘50 percent owner’ means any person who would be described in section 416(i)(1)(B)(i) if ‘‘20 percent’’ were substituted for ‘‘5 percent’’ each place it appears in such section.

(B) 20 PERCENT OWNER.—The term ‘20 percent owner’ means any person who would be described in section 416(i)(1)(B)(i) if ‘‘50 percent’’ were substituted for ‘‘5 percent’’ each place it appears in such section.

(2) COORDINATION WITH SUBSECTION (b)(2).—For purposes of applying subsection (b)(2), a farming loss for any taxable year shall be treated as a separate net operating loss for such taxable year to be taken into account for the remaining portion of the net operating loss for such taxable year.

(c) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 1999.

SEC. 908. CERTAIN CASH RENTALS OF FARMLAND NOT TO CAUSE RECAPTURE OF SPECIAL ESTATE TAX VALUATION.

(a) IN GENERAL.—Subsection (c) of section 2032A (relating to tax treatment of dispositions and sales to use for qualified use) is amended by adding at the end the following new paragraph:

(b) CASH RENTAL.—For purposes of this subsection, a qualified heir shall not be treated as failing to use property in a qualified use solely because such heir rents such property on a net basis during the taxable year in which the decedent’s family, but only if, during the period of the lease, such member of the decedent’s family uses such property in a qualified use.

(c) EFFECTIVE DATE.—The amendment made by this subsection shall apply with respect to sales occurring after December 31, 1976.

SEC. 909. DECLARATORY JUDGMENT REMEDY RELATING TO STATUS AND CLASSIFICATION OF FARMERS’ COOPERATIVES.

(a) IN GENERAL.—(1) Paragraph (1) of section 7428(a) (relating to creation of remedy) is amended by striking ‘‘or’’ at the end of subparagraph (B), and by inserting after subparagraph (C) the following new subparagraph:

(2) EFFECTIVE DATE.—The amendment made by this section shall apply with respect to petitions filed with the United States Tax Court, the district court of the United States for the District of Columbia, or the United States Court of Federal Claims after the date of enactment of this Act but only with respect to determinations (or requests for determinations) made after January 1, 1998.

TITLE X—TECHNOLOGY AND ECONOMIC DEVELOPMENT

SEC. 1001. PERMANENT EXTENSION AND MODI-

FIcation to SEARCH IN PUERTO RICO AND THE POSSESSIONS.

(a) PERMANENT EXTENSION.—

(1) IN GENERAL.—Section 45(c)(4) is amended—

(A) by striking ‘‘1.65 percent’’ and inserting ‘‘2.75 percent’’.

(B) by striking ‘‘2.2 percent’’ and inserting ‘‘3.2 percent’’.

(c) EXTENSION OF RESEARCH CREDIT TO RESEARCH IN PUERTO RICO AND THE POSSESSIONS OF THE UNITED STATES.—

(a) IN GENERAL.—Section 45(d)(4)(F) (relating to foreign research) is amended by inserting ‘‘, the Commonwealth of Puerto Rico, or any possession of the United States’’ after ‘‘United States’’.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 1999.

SEC. 1002. NEW MARKETS TAX CREDIT.

(a) IN GENERAL.—Subpart D of part IV of chapter 1 of subtitle B (relating to business-related credits), as amended by section 38(b)(1), is amended by striking ‘‘for such investment at its original issue.’’

(b) EFFECTIVE DATE.—The term ‘credit allowance date’ means, with respect to any qualified equity investment—

(1) the date on which such investment is initially made, and
“(B) each of the 4 anniversary dates of such debt whose terms include any equity invest-
ment in a qualified community development entity if—

“(1) IN GENERAL.—The term ‘qualified eq-
uity investment’ means any equity invest-
ment in a qualified community development entity if—

“(A) such investment is acquired by the tax-
payer (or the related issue (directly or
through an underwriter)) solely in exchange for cash,

“(B) substantially all of such cash is used by
the qualified community development en-
tity to make qualified low-income commu-
nity investments, and

“(C) such investment is designated for pur-
poses of this section by the qualified com-
nunity development entity.

Such term shall not include any equity in-
vestment issued by a qualified community
development entity more than 5 years after
the date that such entity receives an alloca-
tion under subsection (f). Any allocation not
used within such 5-year period may be reallo-
cated by the Secretary under subsection (f).

“(2) LIMITATION.—The maximum amount of
equity investments issued by a qualified
community development entity which may be
designated under paragraph (1)(C) by such en-
tity is equal to the portion of the
limitation amount allocated under sub-
section (f) to such entity.

“(3) SAFE HARBOR FOR DETERMINING USE OF
CASH.—The requirement of paragraph (1)(B)
shall be treated as met if at least 85 percent
of the aggregate gross assets of the qualified
community development entity are invested in
qualified low-income community invest-
ments.

“(4) TREATMENT OF SUBSEQUENT PUR-
CHASE.—The term ‘qualified equity invest-
ment’ includes any equity investment which
would (but for paragraph (1)(A)) be a quali-
fied equity investment in the hands of the
taxpayer if such investment was a qualified
equity investment in the hands of a prior
holder.

“(5) REDEMPTIONS.—A rule similar to the
rule of paragraph (1)(B) shall apply for pur-
poses of this subsection.

“(6) EQUITY INVESTMENT.—The term ‘equity
investment’ means—

“(A) any investment in a qualified community
development entity which is a corporation, and

“(B) any capital interest in a qualified community
development entity which is a partnership.

“(c) QUALIFIED COMMUNITY DEVELOPMENT
ENTITY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified com-
nunity development entity’ means any do-

(continued)
respect to an equity investment in a qualified community development entity if—

(A) such entity ceases to be a qualified community development entity if—

(B) the proceeds of the investment cease to be used as required of subsection (b)(1)(B), or

(C) such investment is redeemed by such entity.

“(4) Special rules.—

(A) Tax benefit rule.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of subsection (h)(3), unless the Secretary determines that such an increase is appropriate to carry out this section, including regulations—

(B) Applicable AMOUNT.—Paragraph (3) of section 42(b) (relating to housing credit dollar amount for facilities) is amended by adding at the end the following new subparagraph:

‘‘(H) Basis reduction.—For purposes of subparagraph (C)(i), the applicable amount shall be determined under the following table:

For calendar year— The applicable amount—


2004 and 2005 1.40

2006 and thereafter 1.50.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000.

1005. SPACEPORTS TREATED LIKE AIRPORTS UNDER EXCISE TAX PROVISIONS

(a) In general.—Subsection (c) of section 39, as amended by section 608(c), is amended by adding at the end the following new subparagraph:

“(11) NEW MARKETS TAX CREDIT.—

(A) IN GENERAL.—Clause (i) of section 45E(a) (relating to new markets tax credit) is amended by striking ‘‘plus’’ at the end of paragraph (9) and inserting ‘‘or’’, and by adding at the end the following new subparagraph:

‘‘(B) Applicable AMOUNT.—Paragraph (3) of section 45E(b) (relating to housing credit dollar amount for facilities) is amended by adding at the end the following new subparagraph:

‘‘(C) SPECIAL RULE FOR SPACEPORT GROUND LEASES.—For purposes of subparagraph (A), spaceport ground leases shall be treated as leases of property which are owned by the United States and which is used by a governmental entity pursuant to a lease (as defined in section 166(h)(7)) from the United States and shall be treated as owned by such entity if—

(i) the term lease (within the meaning of section 168(i)(3)) is at least 15 years, and

(ii) such unit would be treated as owning such property if such lease term were equal to the useful life of such property.”

(b) Bond may be federally guaranteed.—Paragraph (3) of section 142(b) (relating to qualified bond issuance) is amended by adding at the end the following new subparagraph:

‘‘(C) Bond may be federally guaranteed.—Paragraph (3) of section 142(b) (relating to qualified bond issuance) is amended by adding at the end the following new subparagraph:

‘‘(D) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000.”

SEC. 1006. INCREASE IN STATE CEILING ON LOW-INCOME HOUSING CREDIT

(a) In general.—Subsection (c) of section 42(h)(3)(C) (relating to State housing credit dollar amount for facilities) is amended by striking ‘‘plus’’ at the end of paragraph (9) and inserting ‘‘or’’, and by adding at the end the following new subparagraph:

‘‘(B) APPLICABLE AMOUNT.—Paragraph (3) of section 42(h)(3)(C) (relating to State housing credit dollar amount for facilities) is amended by adding at the end the following new subparagraph:

‘‘(H) Basis reduction.—For purposes of subparagraph (C)(i), the applicable amount shall be determined under the following table:

For calendar year— The applicable amount—


2004 and 2005 1.40

2006 and thereafter 1.50.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000.

SEC. 1007. INCREASE IN VOLUME CAP ON PRIVATE ACTIVITY BONDS

(a) In general.—The table contained in section 146(d)(2) (relating to per capita limit; aggregate limit; and State housing credit dollar amount) is amended by adding after the entry for 2000, 2001, 2002 and 2003 the following entries:

2004 1.30

2005 1.40

2006 1.50

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000.

SEC. 1008. SPACEPORTS TREATED LIKE AIRPORTS UNDER EXCISE TAX PROVISIONS

(a) In general.—Subsection (c) of section 39, as amended by section 608(c), is amended by adding at the end the following new subparagraph:

‘‘(11) NEW MARKETS TAX CREDIT.—

(A) IN GENERAL.—Clause (i) of section 45E(a) (relating to new markets tax credit) is amended by striking ‘‘plus’’ at the end of paragraph (9) and inserting ‘‘or’’, and by adding at the end the following new subparagraph:

‘‘(B) Applicable AMOUNT.—Paragraph (3) of section 45E(b) (relating to housing credit dollar amount for facilities) is amended by adding at the end the following new subparagraph:

‘‘(C) SPECIAL RULE FOR SPACEPORT GROUND LEASES.—For purposes of subparagraph (A), spaceport ground leases shall be treated as leases of property which are owned by the United States and which is used by a governmental entity pursuant to a lease (as defined in section 166(h)(7)) from the United States and shall be treated as owned by such entity if—

(i) the term lease (within the meaning of section 168(i)(3)) is at least 15 years, and

(ii) such unit would be treated as owning such property if such lease term were equal to the useful life of such property.”

(b) Bond may be federally guaranteed.—Paragraph (3) of section 142(b) (relating to qualified bond issuance) is amended by adding at the end the following new subparagraph:

‘‘(C) Bond may be federally guaranteed.—Paragraph (3) of section 142(b) (relating to qualified bond issuance) is amended by adding at the end the following new subparagraph:

‘‘(D) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2000.”

SEC. 1008. INCREASE IN EXPENSE TREATMENT FOR MANY SMALL BUSINESSES

(a) In general.—Subsection (b) of section 263(a)(4)(C) (relating to qualifying small business expenses) is amended by striking ‘‘plus’’ at the end of clause (ii) and inserting ‘‘or’’, and by adding at the end the following new clause:

‘‘(D) qualified small business expense.—The term ‘qualified small business expense’ means an expense which is incurred in the course of trade or business of any small business corporation and which is an ordinary and necessary expense which is not otherwise deductible and which is incurred during any taxable year.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

TITLE XI—MISCELLANEOUS INCENTIVES

Subtitle A—Miscellaneous Provisions

SEC. 1101. OIL AND GAS PROVISIONS

(a) Election to expense geological and geophysical expenditures.—(1) In general.—Section 263 (relating to capital expenditures), as amended by subsection (a)(1), is amended by adding at the end the following new paragraph:

‘‘(j) Geological and geophysical expenditures for domestic oil and gas wells.—Notwithstanding subsection (a), a taxpayer may elect to treat geological and geophysical expenses incurred in connection with the exploration for, or development of, oil and gas within the United States (as defined in section 638) as expenses which are not chargeable to capital account. Any expenses so treated shall be allowed as a deduction from the taxable year in which paid or incurred.”

(2) Conforming amendment.—Section 263A(c)(3) is amended by inserting “263(j),” after “263(i),”

(b) Election to expense delay rental payments.—(1) In general.—Section 263 (relating to capital expenditures), as amended by subsection (a)(1), is amended by adding at the end the following new paragraph:

‘‘(k) Delay Rental Payments for Domestic Oil and Gas Wells.—

‘‘(1) In general.—Notwithstanding subsection (a), a taxpayer may elect to treat delay rental payments incurred in connection with the development of oil or gas within the United States (as defined in section 638) as payments which are not chargeable to capital account. Any expenses so treated shall be allowed as a deduction from the taxable year in which paid or incurred.

‘‘(2) Delay Rental Payments.—For purposes of paragraph (1), the term ‘delay rental payment’ means an amount paid for the privilege of deferring development of an oil or gas well.

(2) Conforming amendment.—Section 263A(c)(3) is amended by inserting “263(k),” after “263(i),”

(3) Effective date.—The amendments made by this section shall apply to payments made or incurred in taxable years beginning after December 31, 2000.

SEC. 1102. TREATMENT OF CERTAIN REVENUES OF ELECTRIC COOPERATIVES

(a) In general.—Section 501(c)(12)(C) is amended by striking “or” at the end of clause (ii), by striking “and” at the end of clause (ii) and inserting “, or”, and by adding at the end the following new clause:
"(iii) from revenues received from non-member customers served by distribution facilities, including revenues from clause (i), the sale of electric power to a person that was an off-system purchaser of electric energy in the base year, but not in excess of the kilowatt hours purchased by such person in such year.

"(iv) Base year.—The term ‘base year’ means 1996 or, at the election of such unit, in 1998.

"(V) Joint action agencies.—A member of a joint action agency that is entitled to make a sale described in clause (ii) or (iv) in a year may transfer entitlement to the joint action agency in accordance with rules of the Secretary.

"(VI) Government-owned facility.—An electric output facility (as defined in subsection (f)(4)(A)) which is leased by a governmental unit or in which a governmental unit has capacity rights acquired with the proceeds of tax-exempt bonds issued before the date of the enactment of this subsection shall be treated as owned by such governmental unit.

"(b) Effective date.—The amendments made by this section shall apply to amounts received after December 31, 1998.

SEC. 1103. TAX-EXEMPT BOND FINANCING OF CERTAIN ELECTRIC FACILITIES.

(a) Permitted Open Access Transactions Not a Private Business Use.—Section 141(b)(6) of the Internal Revenue Code of 1986 (defining private business use) is amended by adding at the end the following:

"(C) PERMITTED OPEN ACCESS TRANSACTIONS NOT A PRIVATE BUSINESS USE.—For purposes of this subsection, the term ‘private business use’ shall not include a permitted open access transaction.

"(II) Permitted open access transaction defined.—For purposes of clause (i), the term ‘permitted open access transaction’ means an electric output facility (as defined in subsection (f)(4)(A)) which is leased by a governmental unit.

"(III) Electric output facility.—An electric output facility means an output facility (as defined in subsection (f)(4)(A)) which is leased by a governmental unit.

"(IV) If open access service is provided under subclauses (i) and (III), the sale of electric output of electric output facilities. If the issuer makes such election, then—

"(A) Except as provided in paragraph (2), no bond the interest on which is exempt from tax under section 141(b)(6)(C) of the Internal Revenue Code of 1986, as added by subsection (a), shall not be used to finance the purchase of such a governmental unit's electric output facilities. If the issuer makes such election, then—

"(II) In general.—An issuer may make an irrevocable election under this paragraph to terminate certain tax-exempt financing for electric output facilities. If the issuer makes such election, then—

"(A) The transfer of such Fund shall not cause such Fund to be disqualified from the application of this section, and

"(B) Any qualifying T&D facility means—

"(III) Clarification of treatment of fund transfers.—Subsection (e) of section 468A is amended by adding at the end the following new paragraph:

"(B) Treatment of fund transfers.—If, in connection with the transfer of the taxpayer's interest in a nuclear powerplant, the taxpayer transfers the Fund with respect to such powerplant to the transferee of such interest and the transferee elects to continue the application of this section to such Fund—

"(I) The amount which a taxpayer may pay into the Fund for any taxable year shall not exceed the amount calculated as follows:

"(II) The first subparagraph of subsection (f) of section 468A is amended by adding at the end the following new paragraph:

"(C) Transfers of balances in non-qualified funds into qualified funds.—Section 468A is amended by redesignating subsections (f) and (g) as subsections (g) and (h), respectively, and by inserting after subsection (e) the following new subsection:

"(I) In general.—Notwithstanding subsection (b) of section 468A, any taxpayer maintaining a Fund to which this section applies with respect to a nuclear powerplant may transfer the interest on which was exempt from tax under section 141(b)(6)(C) of the Internal Revenue Code of 1986, as added by subsection (a), with respect to permitted open access transactions on or after July 9, 1996.

"(III) Clarification of treatment of fund transfers.—Subsection (e) of section 468A is amended by adding at the end the following new paragraph:

"(B) Treatment of fund transfers.—If, in connection with the transfer of the taxpayer's interest in a nuclear powerplant, the taxpayer transfers the Fund with respect to such powerplant to the transferee of such interest and the transferee elects to continue the application of this section to such Fund—

"(I) The amount which a taxpayer may pay into the Fund for any taxable year shall not exceed the amount calculated as follows:

"(II) The first subparagraph of subsection (f) of section 468A is amended by adding at the end the following new paragraph:

"(C) Transfers of balances in non-qualified funds into qualified funds.—Section 468A is amended by redesignating subsections (f) and (g) as subsections (g) and (h), respectively, and by inserting after subsection (e) the following new subsection:
into such Fund amounts held in any non-
qualified fund of such taxpayer with respect to such powerplant.

(2) **MAXIMUM AMOUNT PERMITTED TO BE TRANSFERRED.**—The amount permitted to be transferred under paragraph (1) shall not exceed the balance in the nonqualified fund as of December 31, 1998.

(3) **DEDUCTION FOR AMOUNTS TRANSFERRED.**—

(A) **IN GENERAL.**—The deduction allowed by subsection (a) for any transfer permitted by this subsection shall be allowed ratably over the estimated useful life (within the meaning of subsection (d)(2)(A)) of the nuclear powerplant, beginning with the later of the taxable year during which the transfer is made or the taxpayer's first taxable year beginning after December 31, 2001.

(B) **DENIAL OF DEDUCTION FOR PREVIOUSLY DEDUCTED AMOUNTS.**—No deduction shall be allowed for any transfer under this subsection of an amount for which a deduction was allowed when such amount was paid into the nonqualified fund. For purposes of the preceding sentence, a ratable portion of each transfer shall be treated as being from previously deducted amounts to the extent thereof.

(C) **TRANSFERS OF QUALIFIED FUNDS.**—If—

(i) any transfer permitted by this subsection is made to any Fund to which this section applies, and

(ii) such Fund is transferred thereafter, any deduction under this subsection for taxable years ending after the date that such Fund is transferred shall be allowed to the transferor and not to the transferee. The preceding sentence shall not apply if the transferee is an organization exempt from tax imposed by this chapter.

(4) **NEW FUND AMOUNT REQUIRED.**—Paragraph (1) shall not apply to any transfer unless the taxpayer requests from the Secretary a new schedule of ruling amounts in connection with such transfer.

(5) **NONQUALIFIED FUND.**—For purposes of this subsection, the term 'nonqualified fund' means, with respect to any nuclear power plant, the principal residence (within the meaning of section 121) of the operator of the facility as a child care facility.

(6) **NONQUALIFIED FUNDS.**—For purposes of this section—

(A) the term 'qualified child care expenditure' means any amount paid or incurred—

(i) to acquire, construct, rehabilitate, or expand property—

(I) which is to be used as part of a qualified child care facility of the taxpayer,

(ii) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

(iii) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer;

(b) **DOLLAR LIMITATION.**—The credit allowable under subsection (a) for any taxable year shall not exceed $90,000.

(c) **DEFINITIONS.**—For purposes of this section—

(A) **QUALIFIED CHILD CARE EXPENDITURE.**—

(i) the term 'qualified child care expenditure' means any amount paid or incurred—

(I) to acquire, construct, rehabilitate, or expand property—

(ii) which is to be used as part of a qualified child care facility of the taxpayer,

(iii) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

(iv) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer;

(b) **QUALIFIED CHILD CARE FACILITY.**—

(I) the term 'qualified child care expenditures' shall not include expenses in excess of the fair market value of such care;

(ii) the term 'qualified child care facility' means a facility—

(A) **NONQUALIFIED FUND.**—For purposes of this subsection, the term 'nonqualified fund' means, with respect to any nuclear power plant, the principal residence (within the meaning of section 121) of the operator of the facility as a child care facility.

(3) **QUALIFIED CHILD CARE EXPENDITURE.**—

(A) **IN GENERAL.**—The term 'qualified child care expenditure' means any amount paid or incurred—

(i) to acquire, construct, rehabilitate, or expand property—

(II) which is to be used as part of a qualified child care facility of the taxpayer,

(iii) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

(iv) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer;

(b) **DOLLAR LIMITATION.**—The credit allowable under subsection (a) for any taxable year shall not exceed $90,000.

(c) **DEFINITIONS.**—For purposes of this section—

(A) **QUALIFIED CHILD CARE EXPENDITURE.**—

(i) the term 'qualified child care expenditure' means any amount paid or incurred—

(I) to acquire, construct, rehabilitate, or expand property—

(ii) which is to be used as part of a qualified child care facility of the taxpayer,

(iii) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

(iv) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer;

(b) **QUALIFIED CHILD CARE FACILITY.**—

(I) the term 'qualified child care expenditures' shall not include expenses in excess of the fair market value of such care;

(ii) the term 'qualified child care facility' means a facility—

(II) with respect to which a deduction for

SEC. 45P. EMPLOYER-PROVIDED CHILD CARE EXPENSES FOR EMPLOYEES OF EMPLOYER-PROVIDED CHILD CARE FACILITIES

(a) **IN GENERAL.**—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year beginning after December 31, 1998, shall be increased by an amount equal to the product of—

(A) the applicable recapture percentage, and

(b) **DOLLAR LIMITATION.**—The credit allowable under subsection (a) for any taxable year shall not exceed $90,000.

(c) **DEFINITIONS.**—For purposes of this section—

(A) **QUALIFIED CHILD CARE EXPENDITURE.**—

(i) the term 'qualified child care expenditure' means any amount paid or incurred—

(II) which is to be used as part of a qualified child care facility of the taxpayer,

(III) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

(IV) which does not constitute part of the principal residence (within the meaning of section 121) of the taxpayer or any employee of the taxpayer;

(b) **QUALIFIED CHILD CARE FACILITY.**—

(I) the term 'qualified child care expenditures' shall not include expenses in excess of the fair market value of such care;

(ii) the term 'qualified child care facility' means a facility—

(II) with respect to which a deduction for

SEC. 1105. MODIFICATION OF DEPENDENT CARE CREDIT

(a) **IN GENERAL.**—Subpart D of part IV of chapter 1 of subtitle A of title 26 (relating to exclusion for child and dependent care expenses) is amended by inserting after section 21(c)(1) the following:

(b) **INCREASE IN LIMIT ON EMPLOYMENT-RELATED EXPENSES.**—Section 21(c) (relating to dollar limit on amount creditable) is amended—

(1) by striking "$2,400" in paragraph (1) and inserting "$2,700"; and

(2) by striking "$4,800" in paragraph (2) and inserting "$5,400".

(b) **APPLICATION.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 1106. ALLOWANCE OF CREDIT FOR EMPLOYER-PROVIDED EXPENSES FOR CHILD CARE ASSISTANCE

(a) **IN GENERAL.**—Subpart D of part IV of chapter 1 of subtitle A of title 26 (relating to business-related credits), as amended by section 1002(a), is amended by adding at the end thereof:
the extent such loss is restored by recon- 
struction within a reasonable period established by the Secretary.

(“e) SPECIAL RULES.—For purposes of this section—

(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

(2) EQUITY-TRUST CASES OF ESTATES AND 

TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

(3) LEASE—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

(4) NO DOUBLE BENEFIT.—

"(i) REDUCTION IN BASIS.—For purposes of this subtitle—

"(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

"(B) CERTAIN DISPOSITIONS.—If, during any taxable year, there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to the recapture amount. For purposes of the preceding sentence, the term ‘recapture amount’ means any increase in tax (or adjustment in carrybacks or carryovers) determined under section (d).

"(ii) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.”

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (b) of section 1002(b)(1), as amended by striking “plus” at the end of the amendment, is amended by striking “and” before the term “the successional year.”

(2) Paragraph (b) of section 1002(d), as amended by section 1002(d), is amended by striking “and” before the term “the successional year.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 1107. RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOLD IMPROVEMENTS.

(a) 15-YEAR RECOVERY PERIOD.—Subparagraph (9) of section 167(e)(9) (relating to 15-year property) is amended by striking “and” at the end of the period and by inserting “or diverted to, any purpose other than—

(1) housing, or

(2) related persons shall not be considered a lease. For purposes of the preceding sentence, the term ‘related persons’ means—

(I) members of an affiliated group (as defined in section 1504), and

(II) persons having a relationship described in section 167(b) or 707(b)(1); except that, for purposes of this clause, the phrase ‘80 percent or more’ shall be substituted for the phrase ‘more than 50 percent’ each place it appears in such sub-sections.”

(b) UNRELATED BUSINESS TAXABLE INCOME.—Subsection (a) of section 512 (relating to unrelated business taxable income) is amended by adding at the end the following new paragraph:

"(b) UNRELATED BUSINESS TAXABLE INCOME.—Subsection (a) of section 512 (relating to unrelated business taxable income) is amended by adding at the end the following new paragraph:

"(ii) the new paragraph:

"(A) any association described in section 501(c)(28), and

"(B) any association described in section 501(c)(29)."
SEC. 1109. DISCLOSURE OF TAX INFORMATION TO FACILITATE COMBINED EMPLOYMENT TAX REPORTING.

Section 6103(d)(3) is amended to read as follows:

“(5) DISCLOSURE FOR COMBINED EMPLOYMENT TAX REPORTING.—The Secretary may disclose taxpayer identity information and signatures to any agency, body, or commission of any State for the purpose of carrying out with such agency, body, or commission a combined Federal and State employment tax reporting program approved by the Secretary. Subsections (a)(2) and (p)(4) and sections 7213 and 7213A shall not apply with respect to disclosures or inspections made pursuant to this paragraph.’’

SEC. 1110. INCREASE IN LIMIT ON CERTAIN CHARGEABLE CONTRIBUTIONS AS PERCENTAGE OF AGI.

(a) IN GENERAL.—Section 170(b)(1) (relating to percentage limitations) is amended by striking “30 percent” each place it appears in subparagraphs (B) and (C) and inserting “50 percent’. (b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 1111. LOW-INCOME SECOND MORTGAGE TAX CREDIT.

(a) IN GENERAL.—Subpart D of part IV of chapter 1 (relating to business related credits), as amended by section 1002(a), is amended by adding at the end the following:

“SEC. 140F. LOW-INCOME SECOND MORTGAGE TAX CREDIT.

“(a) ALLOWANCE OF CREDIT.—

“(1) IN GENERAL.—For purposes of section 38, the amount of the low-income second mortgage tax credit determined under this section for any taxable year in the credit period shall be increased by an amount equal to the applicable percentage of the low-income second mortgage tax credit amount allocated such taxpayer by a State housing finance agency in the credit allocation year under subsection (b).

“(2) APPLICABLE PERCENTAGE.—For purposes of this section, the Secretary shall prescribe regulations for the determination of the applicable percentage in which the taxpayer is a qualified lender. Such percentage with respect to any month in the credit period with respect to such taxpayer may be increased by a factor which will yield over such period amounts of credit under paragraph (1) which have a present value equal to 100 percent of the low-income second mortgage tax credit amount allocated such taxpayer under subsection (b).

“(3) METHOD OF DISCOUNTING.—The present value under paragraph (2) shall be determined in the same manner as the low-income housing credit under section 42(b)(2)(C).

“(b) ALLOCATION OF LOW-INCOME SECOND MORTGAGE TAX CREDIT AMOUNTS.—

“(1) AMOUNT OF CREDIT.—Each qualified State shall receive a low-income second mortgage tax credit dollar amount for each calendar year in an amount equal to the sum of—

“(A) an amount equal to—

“(i) 10 cents multiplied by the State population, multiplied by

“(ii) 10 plus

“(B) the unused low-income second mortgage tax credit dollar amount (if any) of such State for the preceding year.

“(2) QUALIFIED STATE.—For purposes of this section—

“(A) IN GENERAL.—The term ‘qualified State’ means a State with an approved allocation plan to allocate low-income second mortgage tax credits to qualified lenders through the State housing finance agency.

“(B) APPROVED ALLOCATION PLAN.—For purposes of this paragraph, the term ‘approved allocation plan’ means a written plan, certified by the Secretary, which includes—

“(i) selection criteria for the allocation of credits to qualified lenders;

“(ii) a process in which lenders submit bids for the value of the credit, and

“(iii) which gives priority to qualified lenders with qualified low-income second mortgage tax credit loans which are prepaid during a calendar year, for credit allocations in the succeeding calendar year;

“(iv) if an assurance that the State will not allocate in excess of 10 percent of the low-income second mortgage tax credit amount for the calendar year for qualified low-income second mortgage tax credit loans which are neighborhood revitalization project loans.

“(iii) a procedure that the agency (or an agent or other private contractor of such agency) will follow in monitoring for noncompliance with the provisions of this section and in notifying the Internal Revenue Service of such noncompliance with respect to which such assurance was made.

“(iv) such other assurances as the Secretary may require.

“(3) QUALIFIED LENDER.—For purposes of this section, the term ‘qualified lender’ means a lender which—

“(A) is an insured depository institution (as defined in section 3 of the Federal Deposit Insurance Act), insured credit union (as defined in section 101 of the Federal Credit Union Act), community development financial institution (as defined in section 103 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702)), or nonprofit community development corporation (as defined in section 613 of the Community Development Economic Act of 1981 (42 U.S.C. 9802)).

“(B) makes available, through such lender or the lender’s designee, pre-purchase homeownership counseling for mortgagees, and

“(C) during the 1-year period beginning on the date of the credit allocation, originates not less than 10 percent low-income second mortgage tax credit loans which are a mortgage in an aggregate amount not less than the amount of the bid of such lender for such credit allocation.

“(4) CAREERV OF CREDIT.—A low-income second mortgage tax credit amount allocated by a State for any calendar year and not allocated in such year shall remain available to be allocated in the succeeding calendar year.

“(5) POPULATION.—For purposes of this section, population shall be determined in accordance with section 146(j).

“(6) COST-OF-LIVING ADJUSTMENT.—In the case of a calendar year after 2001, the 10 cent amount contained in paragraph (1)(A)(i) shall be increased by an amount equal to—

“(A) such amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting ‘calendar year 1999’ for ‘calendar year 1990’ in subparagraph (B) thereof.

“(c) QUALIFIED LOW-INCOME SECOND MORTGAGE TAX CREDIT LOAN DEFINED.—For purposes of this section—

“(1) IN GENERAL.—A loan is described in this paragraph if such loan—

“(i) to acquire such residence, or

“(ii) to substantially improve such residence in connection with a neighborhood revitalization project,

“(C) the principal amount of the loan is equal to an amount which

“(i) not less than 18 percent of the purchase price of the residence securing the loan, and

“(ii) not more than the lesser of—

“(1) 22 percent of such purchase price, or

“(2) $25,000.

“(D) in the case of a neighborhood revitalization project loan, subparagraph (C) is applied by substituting—

“(i) ‘purchase price or appraised value’ for ‘purchase price’, and

“(ii) ‘$40,000’ for ‘$25,000’.

“(E) in the case of a neighborhood revitalization project loan, to exceed 1 percent of the appraised value of the residence which secures the loan, and

“(F) the proceeds of such loan are not used for settlement or other closing costs of the transaction in an amount in excess of 4 percent of the purchase price of the residence securing the loan—

“(i) in the case of a neighborhood revitalization project loan, to exceed 1 percent of the appraised value of the residence which secures the loan, or

“(ii) in the case of any other loan, to exceed 2 percent of the appraised value of such residence, and

“(G) the rate of interest of the loan does not exceed the greater of—

“(i) the excess of—

“(1) the prime lending rate in effect as of the date on which the loan is originated, over

“(2) 5.5 percent, or

“(ii) 3 percent.

“(H) the origination fee paid with respect to the loan does not cause the aggregate amount of origination fees paid with respect to any loans secured by the residence—

“(i) in the case of a neighborhood revitalization project loan, to exceed 1 percent of the appraised value of the residence which secures the loan, or

“(ii) in the case of any other loan, to exceed 2 percent of the appraised value of such residence, and

“(I) the servicing fees of such loan—

“(i) are allocated from interest payments made with respect to the loan, and

“(ii) may not—

“(1) in the case of a neighborhood revitalization project loan, exceed a total of 38 basis points, and

“(2) in the case of any other loan, when added to such fees of any other loan secured by the residence, exceed a total of 63 basis points.

“(J) BALLOON PAYMENT LOAN.—

“(A) IN GENERAL.—A loan is described in this paragraph if such loan—

“(1) meets the requirements of subparagraphs (B) and (C) of section 146(j), and

“(2) is for a period of 25 years and, except as provided in clause (iv), no payment is due on such loan until the sooner of—

“(1) the end of such period, or

“(2) the date on which the residence which secures the loan is disposed of,

“(iii) does not prohibit early repayment of such loan, and

“(iv) requires payment on such loan if the mortgagor receives any portion of the equity of such residence as part of a refinancing of any loan secured by such residence.

“(B) INTEREST.—Notwithstanding paragraph (1)(G), the rate of interest of the loan is zero percent.

“(C) SERVICING FEES.—Notwithstanding paragraph (1)(I), there shall be no servicing fees in connection with the loan.

“(3) INDEX OF AMOUNT.—
(A) IN GENERAL.—In the case of a calendar year for which rules similar to the rules of section 143(m)(8) shall apply.

(i) OTHER DEFINITIONS.—

(1) NEIGHBORHOOD REVITALIZATION PROJECT LOAN.—

(i) IN GENERAL.—The term 'neighborhood revitalization project loan' means a loan secured by a second lien on a residence, the proceeds of which are used to substantially improve such residence in connection with a neighborhood revitalization project.

(ii) ELIGIBILITY.—The term 'neighborhood revitalization project' means a project of sufficient size and scope to alleviate physical deterioration and stimulate investment in:

(1) a geographic location within the jurisdiction of a unit of local government (but not the entire jurisdiction) designated in comprehensive plans, ordinances, or other documents as a neighborhood, village, or similar geographic designation, or

(2) the entire jurisdiction of a unit of local government if the population of such jurisdiction is not in excess of 25,000.

(2) CONCLUSION.—The term 'housing' includes a possession of the United States.

(3) STATE HOUSING FINANCE AGENCY.—The term 'State housing finance agency' means the State housing finance agency, authority, or other instrumentality of a State that has the authority to provide residential mortgage loan financing throughout the State.

(j) CERTIFICATION AND OTHER REPORTS TO THE SECRETARY.—

(1) CERTIFICATION WITH RESPECT TO STATE ALLOCATION OF LOW-INCOME SECOND MORTGAGE TAX CREDITS.—The Secretary, on a finding of noncompliance, revoke the certification of a qualified State and revoke any qualified low-income second mortgage tax credit amounts allocated to such State or allocated by such State.

(2) ANNUAL REPORT FROM HOUSING FINANCE AGENCIES.—Each State housing finance agency which allocates any low-income second mortgage tax credit amount to any qualified lender for any calendar year shall submit to the Secretary (at such time and in such manner as the Secretary shall prescribe) an annual report specifying:

(A) the low-income second mortgage tax credit amount allocated to each qualified lender for such year,

(B) with respect to each qualified lender—

(i) the principal amount of the aggregate qualified low-income second mortgage tax credit loans made by such lender in such year and the outstanding amount of such loans in such year, and

(ii) the number of qualified low-income second mortgage tax credit loans made by such lender in such year.

6652(j) shall apply to any failure to submit the report required by this paragraph on the date prescribed therefor.

(k) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.

(b) LIMITATION ON CARRYBACK OF UNUSED CREDIT.—Subsection (d) of section 39 (relating to carryback and carryforward of unused credits), as amended by section 1002(b)(2), is amended by adding at the end the following:

(12) NO CARRYBACK OF LOW-INCOME SECOND MORTGAGE TAX CREDITS BEFORE EFFECTIVE DATE.—No portion of the unused business credit attributable to the low-income second mortgage tax credit determined under section 45P may
be carried back to a taxable year ending before the date of the enactment of section 45F.”

(1) CONFORMING AMENDMENTS.—
   (a) Section 30(b), as amended by section 1002(b)(1), is amended—
      (A) by striking “plus” at the end of paragraph (14),
      (B) by striking the period at the end of paragraph (15) and inserting “plus”, and
      (C) by adding at the end following:
   “(16) the low-income second mortgage tax credit determined under section 45F.”

(2) Treatment of amounts for subpart D of part IV of subchapter A of chapter 1, as added by section 1002(d), is amended by adding at the end of the following:

“Sec. 45F. Low-income second mortgage tax credit.”

(c) REGULATIONS.—The Secretary of the Treasury shall, by regulation, make any necessary adjustments to the amount of credit allocated under section 45F(b)(1) of the Internal Revenue Code of 1986, as added by subsection (a), to ensure that the decrease in revenues in the Treasury, resulting from the amendments made by this section, in calendar years before 2011 does not exceed $1,000,000,000.

(e) EFFECTIVE DATE.—The amendments made by this section apply to calendar years after 2000.

SEC. 1112. COORDINATION OF CHILD TAX CREDIT AND EARNED INCOME CREDIT WITH CERTAIN MEANS-TESTED PROGRAMS.

(a) CHILD TAX CREDIT.—Section 24 (relating to child tax credit) is amended by adding at the end the following new paragraphs:

“(g) COORDINATION WITH CERTAIN MEANS-TESTED PROGRAMS.—Any refund or credit made to an individual by reason of this section shall not be treated as income or receipts (or taken into account in determining resources) for purposes of determining—
   “(1) the eligibility of the individual or any other individual for any month for benefits or assistance under any Federal program or any State or local program financed in whole or in part with Federal funds, or
   “(2) the amount or extent of such benefits or assistance.”

(b) EARNED INCOME CREDIT.—Subsection (l) of section 32 (relating to earned income credit) is amended by adding at the end of the following:

“(l) Coordination With Certain Means-Tested Programs.—Any refund or credit made to an individual by reason of this section, and any payment made to such individual by an employer under section 3207, shall not be treated as income or receipts (or taken into account in determining resources) for purposes of determining—
   “(1) the eligibility of the individual or any other individual for any month for benefits or assistance under any Federal program or any State or local program financed in whole or in part with Federal funds, or
   “(2) the amount or extent of such benefits or assistance.”

(c) EFFECTIVE DATE.—The amendments made by this section apply to taxable years beginning after December 31, 2000.

SEC. 1112A. NO FEDERAL INCOME TAX ON AMOUNTS RECEIVED BY HOLOCAUST VICTIMS OR THEIR HEIRS.

(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986, gross income shall not include any amount received by an individual (or any heir of the individual)—
   (1) from the Swiss Humanitarian Fund established by the Government of Switzerland or from any similar fund established by any foreign country, or
   (2) as a result of the settlement of the action entitled "Proceeds of German Indebtedness of the World War Against Certain Victims of Nazi-Litigation’’, (E.D. NY., C.A. No. 96-8409), or as a result of any similar action.

(b) EFFECTIVE DATE.—This section shall apply to every amount received before, on, or after the date of the enactment of this Act.

SEC. 1114. TAX TREATMENT OF SPECIAL PAY FOR MEMBERS OF THE ARMED FORCES.

(a) In General.—Chapter 8 of title 26, as added by section 1111 of this Act, is amended by inserting “or through a taxable REIT subsidiary” after “transferred to” in section 856(d)(7)(C). (b) CONFORMING AMENDMENT.—The table of sections for subchapter C of chapter 80 is amended by adding at the end the following:

“Sec. 8784. Treatment of special pay for members of the Armed Forces.’’

(”a) GENERAL RULE.—For purposes of the following provisions, a special pay area shall be treated in the same manner as if it were a combat zone (as determined under section 1121):
   “(1) Section 2(a)(3) (relating to special rule where deceased spouse was in missing status),
   “(2) Section 111 (relating to the exclusion of certain combat pay of members of the Armed Forces),
   “(3) Section 992 (relating to income taxes of members of Armed Forces on death),
   “(4) Section 2201 (relating to members of the Armed Forces serving in combat zone on or by reason of combat-zone-incurred wounds, etc.),
   “(5) Section 390(a)(1) (defining wages relating to combat pay for members of the Armed Forces),
   “(6) Section 4253(d) (relating to the taxation of phone service originating from a combat zone from members of the Armed Forces),
   “(7) Section 6013(f)(1) (relating to joint return where individual is in missing status),
   “(8) Section 7506 (relating to time for performing certain acts postoned by reason of service in combat zone),
   “(b) SPECIAL PAY AREA.—For purposes of this section, the term ‘special pay area’ means any area in which an individual receives special pay under section 310 of title 37, United States Code, for services performed in such area by reason of a service in the Armed Forces.

(c) REGULATIONS.—The Secretary of the Treasury shall, by regulation, prescribe regulations for purposes of this section.

(d) R EGULATIONS.—The Secretary of the Treasury shall, by regulation, prescribe regulations for purposes of this section.

SEC. 1115. MODIFICATIONS TO ASSET DIVESTMENT TEST.

(a) IN GENERAL.—Subparagraph (B) of section 856(c)(4) is amended to read as follows:

“(B)(i) not more than 25 percent of the value of its total assets is represented by securities (other than those includible under subparagraph (A)), and
   “(ii) except with respect to a taxable REIT subsidiary and securities includible under subparagraph (A)—
   “(I) not more than 5 percent of the value of its total assets is represented by securities of any 1 issuer, and
   “(II) the trust does not hold securities possessing more than 10 percent of the total voting power of the outstanding securities of any 1 corporation (other than a taxable REIT subsidiary) operating the facility, such contractor (or any related person) is actively engaged in the trade or business of operating qualified lodging facilities for such corporation (or any related person) and who is not with respect to the real estate investment trust or the taxable REIT subsidiary, or
   “(III) the trust does not hold securities having a value of more than 10 percent of the total value of the outstanding securities of any 1 corporation (other than a taxable REIT subsidiary).”

(b) EXCEPTION FOR STRAIGHT DEBT SECURITIES.—Subsection (c) of section 856 is amended by adding at the end the following paragraph:

“(7) STRAIGHT DEBT SAFE HARBOR IN APPLYING PARAGRAPH (A).—Securities of an issuer which are straight debt (as defined in section 856(c)(5)) without regard to subparagraph (B)(iii) thereof shall not be taken into account in applying paragraph (4)(B)(ii)(III) if—
   “(A) the issuer is an individual, or
   “(B) the only securities of such issuer which are held by the trust or a taxable subsidiary of the trust are straight debt (as so defined), or
   “(C) the issuer is a partnership and the trust holds at least a 20 percent profits interest in the partnership.”

SEC. 1112B. TREATMENT OF INCOME AND SERVICES PROVIDED BY TAXABLE REIT SUBSIDARIES.

(a) INCOME FROM TAXABLE REIT SUBSIDARIES NOT TREATED AS IMPERMISSIBLE TENANT SERVICE INCOME.—Clause (i) of section 856(c)(5) (relating to impermissible tenant service income) is amended by inserting “or through a taxable REIT subsidiary of such trust” after “income”.

(b) CERTAIN INCOME FROM TAXABLE REIT SUBSIDARIES NOT EXCLUDED FROM RENTS FROM REAL PROPERTY.—
   “(1) IN GENERAL.—Subsection (d) of section 856 (relating to rents from real property defined) is amended by adding at the end the following paragraph:

“(8) SPECIAL RULE FOR TAXABLE REIT SUBSIDARIES.—For purposes of this subsection, amounts paid to a real estate investment trust by a taxable REIT subsidiary of such trust shall not be excluded from rents from real property by reason of paragraph (2)(B) if the requirements of subparagraph (A) or (B) are met.

“(A) LIMITED RENTAL EXCEPTION.—The requirements of this subparagraph are met with respect to any property if at least 90 percent of the leased space of the property is occupied by tenants who are eligible independent contractors of the trust or tenants of certain combat pay of members of the Armed Forces who are eligible independent contractors of the trust.

“(B) EXCEPTION FOR CERTAIN LODGING FACILITIES.—The requirements of this subparagraph are met with respect to any property if at least 90 percent of the leased space of the property is occupied by tenants who are eligible independent contractors of the trust or tenants of lodging facilities which are operated on behalf of such subsidiary by a person who is an eligible independent contractor.

“(C) ELIGIBLE INDEPENDENT CONTRACTOR.—For purposes of paragraph (8)(B)—
   “(A) IN GENERAL.—The term ‘eligible independent contractor’ means, with respect to any qualified lodging facility, any independent contractor if, at the time such contractor enters into a management agreement or other similar service contract with the trust, the taxable REIT subsidiary to operate the facility, such contractor (or any related person) is actively engaged in the trade or business of operating qualified lodging facilities for such corporation (or any related person) and who is not with respect to the real estate investment trust or the taxable REIT subsidiary.
(B) Special rules.—So long as the terms of the contracts (as defined in section 856(l)) of a real estate investment trust (other than a real estate investment trust which is a REIT subsidiary of such trust) are substantially similar or less than a real estate investment trust, all of the rents otherwise imposed by subparagraph (A) if the rents paid by a taxable REIT subsidiary of a real estate investment trust to a tenant of such trust if the gross income of such subsidiary from such service is not less than 150 percent of such subsidiary's direct cost in furnishing or rendering the service.

(VII) Exceptions granted by Secretary.—If the Secretary determines that rents charged to tenants by a taxable REIT subsidiary of such service is not less than 150 percent of such subsidiary's direct cost in furnishing or rendering the service.

SEC. 1125. 100 PERCENT TAX ON IMPROPERLY ALLOCATED RENTAL INCOME

(a) In general.—Section 857 is amended by adding at the end the following new subsection:

"(1) TAXABLE REAL ESTATE SUBSIDIARY.—For purposes of this section—

"(I) In general.—The term ‘taxable REAL ESTATE SUBSIDIARY’ means—

"(A) any corporation which directly or indirectly owns stock in such corporation, and

"(B) such corporation if such corporation jointly elects that the Subchapter M Regulations apply to such corporation and such election is not revoked after subparagraph (B) is amended by redesignating paragraphs (7) and (8) as paragraphs (8) and (9), respectively, and by inserting after paragraph (6) the following:

"(7) INCOME FROM REDETERMINED RENTS, REDETERMINED DEDUCTIONS, AND EXCESS INTEREST

"(A) IMPOSITION OF TAX.—There is hereby imposed for each taxable year of the real estate investment trust a tax equal to 100 percent of redetermined rents, redetermined deductions, and excess interest.

"(B) REDETERMINED RENTS.—

"(1) IN GENERAL.—The term ‘redetermined rents’ means rents from real property (as defined in section 856(d)(7)(A)) at a property, including the property to which such service is applied, which are not less than a real estate investment trust to a tenant of such trust if the gross income of such subsidiary from such service is not less than 150 percent of such subsidiary's direct cost in furnishing or rendering the service.

"(ii) The taxable REIT subsidiary bears the expenses of the operating and management of such property and at least two percent of the total value of the property.
(C) Redetermined deductions.—The term ‘redetermined deductions’ means deductions (other than redetermined rents) of a taxable REIT subsidiary of a real estate investment trust if the amount of such deductions would (but for this section) be includible in gross income by reason of the lease to such entity or such allocations are in excess of a rate that is commercially reasonable.

(V) Regulatory Authority.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this paragraph. Until the Secretary prescribes such regulations, real estate investment trusts and their taxable REIT subsidiaries may base their allocations on any reasonable method.

(b) Adjustments to Tax Not Required To Be Distributed.—Subparagraph (E) of section 856(b)(2) (relating to real estate investment trust taxable income) is amended by striking paragraph (5)(b) and inserting paragraphs (5) and (7).

SEC. 1126. EFFECTIVE DATE.

(a) In General.—The amendments made by this part shall apply to taxable years beginning after December 31, 2000.

(b) Transitional Rules Related to Section 1126 (i) EFFECTING THE TRANSITION TO A TAXABLE YEAR.—

(1) EXISTING ARRANGEMENTS.—

(A) In general.—Except as otherwise provided in this paragraph, the amendment made by section 1126 shall not apply to a real estate investment trust with respect to—

(i) securities of a corporation held directly or indirectly by such trust on July 12, 1999, and

(ii) securities acquired directly or indirectly by such trust if such securities are described in paragraph (2)(A) and

(B) such election first takes effect before January 1, 1980.

(ii) Any such extension shall not extend the grace period beyond the close of the 6th year after the taxable year in which such trust acquired such qualified health care property.

Any such extension shall not extend the grace period beyond the close of the 6th year after the taxable year in which such trust acquired such qualified health care property.

(C) INCOME FROM INDEPENDENT CONTRACTORS.—For purposes of paragraph (2), income derived or received by the trust from an independent contractor shall be disregarded to the extent such income is attributable to—

(i) any lease of property in effect on the date the real estate investment trust acquired the qualified health care property (without regard to its renewal after such date so long as such renewal is pursuant to the terms of such lease as in effect on such date), or

(ii) any lease of property entered into after such date if—

(I) on such date, a lease of such property from the trust was in effect, and

(ii) the term ‘qualified health care property’ means any real property (including interests therein), and any personal property incident to such real property, which—

(I) is a health care facility, or

(ii) is necessary or incidental to the use of a healthcare facility as a hospital, nursing facility, assisted living facility, continuing care facility (as defined in section 7872(g)(4)), or other licensed facility which extends medical or nursing or ancillary services to patients and which, immediately before the termination, expiration, default, or breach of the lease of mortgage secured by such facility, was operated by a corporation eligible for participation in the Medicare program under title XVIII of the Social Security Act with respect to such facility.

The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

PART III—CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES

SEC. 1141. CONFORMITY WITH REGULATED INVESTMENT COMPANY RULES.

(a) DISTRIBUTION REQUIREMENT.—Clauses (i) and (ii) of section 857(a)(1)(A) (relating to requirements applicable to regulated investment trusts) are each amended by striking “95 percent (90 percent for taxable years beginning before January 1, 1980)” and inserting “90 percent (85 percent in the case of taxable years beginning before January 1, 1980)”.

(b) IMPOSITION OF TAX.—Clause (1) of section 857(b)(5)(A) (relating to imposition of tax in case of failure to meet certain requirement before the acquisition date) is amended by striking “95 percent (90 percent in the case of taxable years beginning before January 1, 1980)” and inserting “90 percent (85 percent in the case of taxable years beginning before January 1, 1980)”.

PART IV—CLARIFICATION OF EXCEPTION FOR IMPERMISSIBLE TENANT SERVICE INCOME

SEC. 1151. CLARIFICATION OF EXCEPTION FOR INDEPENDENT OPERATORS.

(a) In General.—(Paragraph (3) of section 856(d) (relating to independent contractor defined) is amended by adding at the end the following flush sentence:—

“In the event that any class of stock of either the real estate investment trust or such person is regularly traded on an established securities market, only persons who own, directly or indirectly, more than 5 percent of such class of stock shall be treated for purposes of this paragraph as owning any of the stock of such class for purposes of applying the 35 percent limitation set forth in subparagraph (B) (but all other outstanding stock of such class shall be considered outstanding in order to compute the denominator for purpose of determining the applicable percentage of ownership).”

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

PART V—MODIFICATION OF EARNINGS AND PROFITS RULES

SEC. 1161. MODIFICATION OF EARNINGS AND PROFITS RULES.

(a) RULES FOR DETERMINING WHETHER REGULATED INVESTMENT COMPANY HAS EARNINGS AND PROFITS FROM NON-RIC YEAR.—Subsection (c) of section 852 is amended by adding at the end the following new paragraph:—

(3) QUARTERLY WOMEN’S HEALTH CARE PROPERTY.—

(I) In general.—The term ‘qualified health care property’ means any real property (including interests therein), and any personal property incident to such real property, which—

(I) is a health care facility, or

(ii) is necessary or incidental to the use of a health care facility as a hospital, nursing facility, assisted living facility, continuing care facility (as defined in section 7872(g)(4)), or other licensed facility which extends medical or nursing or ancillary services to patients and which, immediately before the termination, expiration, default, or breach of the lease of mortgage secured by such facility, was operated by a corporation eligible for participation in the Medicare program under title XVIII of the Social Security Act with respect to such facility.

The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

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all of the outstanding stock of such class shall be deemed outstanding in order to compute the denominator for purpose of determining the applicable percentage of ownership;"

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

TITLE XII—REVENUE OFFSETS

Subtitle A—General Provisions

SEC. 1201. MODIFICATION TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.

(a) IN GENERAL.—Section 904(c) (relating to limitation on credit) is amended—

(1) by striking "in the second preceding taxable year," and

(2) by striking "or fifth" and inserting "fifth, sixth, or seventh.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after December 31, 2000.

SEC. 1202. LIMITATION ON USE OF NON-ACCRUAL EXPERIENCE METHOD OF ACCOUNTING.

(a) IN GENERAL.—Section 488(d)(5) (relating to non-accrual experience method) is amended—

(1) by inserting "in fields described in paragraph (2)(A)" after "services by such person," and

(2) by inserting "certain personal services" in the heading.

(b) EFFECTIVE DATE.—This section shall apply to taxable years beginning after December 31, 1999.

TITLE XII—REVENUE OFFSETS

Subtitle A—General Provisions

SEC. 1201. MODIFICATION TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.

(a) IN GENERAL.—Section 904(c) (relating to limitation on credit) is amended—

(1) by striking "in the second preceding taxable year," and

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(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after December 31, 2000.

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(1) by inserting "in fields described in paragraph (2)(A)" after "services by such person," and

(2) by inserting "certain personal services" in the heading.

(b) EFFECTIVE DATE.—This section shall apply to taxable years beginning after December 31, 2000.

PART IV—CLARIFICATION OF EXCEPTION FROM IMPERMISSIBLE TENANT SERVICEx 2010

SEC. 1151. CLARIFICATION OF EXCEPTION FOR INDEPENDENT OPERATORS.

(a) IN GENERAL.—Paragraph (3) of section 856(d) (relating to independent contractor defined) shall be amended—

(1) by inserting "in fields described in paragraph (2)(A)" after "services by such person," and

(2) by inserting "certain personal services" in the heading.

(b) EFFECTIVE DATE.—To reduce the basis of the services of such controlled corporation. This subsection shall be reapplied to any property of any controlled corporation which is stock in a corporation which it controlled at the time of such transfer, and the excess of the basis of such property over the basis of the stock of the controlled corporation at the time of such transfer shall be used in determining the amount of deduction for previously deducted amounts.

(8) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations to avoid double counting and to prevent the abuse of such purposes.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after December 31, 2000.

SEC. 1201. MODIFICATION TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.

(a) IN GENERAL.—Section 904(c) (relating to limitation on credit) is amended—

(1) by striking "in the second preceding taxable year," and

(2) by striking "or fifth" and inserting "fifth, sixth, or seventh.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after December 31, 2000.

SEC. 1202. LIMITATION ON USE OF NON-ACCRUAL EXPERIENCE METHOD OF ACCOUNTING.

(a) IN GENERAL.—Section 488(d)(5) (relating to non-accrual experience method) is amended—

(1) by inserting "in fields described in paragraph (2)(A)" after "services by such person," and

(2) by inserting "certain personal services" in the heading.

(b) EFFECTIVE DATE.—This section shall apply to taxable years beginning after December 31, 2000.

PART IV—CLARIFICATION OF EXCEPTION FROM IMPERMISSIBLE TENANT SERVICES

SEC. 1151. CLARIFICATION OF EXCEPTION FOR INDEPENDENT OPERATORS.

(a) IN GENERAL.—Paragraph (3) of section 856(d) (relating to independent contractor defined) shall be amended—

(1) by inserting "in fields described in paragraph (2)(A)" after "services by such person," and

(2) by inserting "certain personal services" in the heading.

(b) EFFECTIVE DATE.—To reduce the basis of the services of such controlled corporation. This subsection shall be reapplied to any property of any controlled corporation which is stock in a corporation which it controlled at the time of such transfer, and the excess of the basis of such property over the basis of the stock of the controlled corporation at the time of such transfer shall be used in determining the amount of deduction for previously deducted amounts.

(8) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations to avoid double counting and to prevent the abuse of such purposes.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after December 31, 2000.

SEC. 1201. MODIFICATION TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.

(a) IN GENERAL.—Section 904(c) (relating to limitation on credit) is amended—

(1) by striking "in the second preceding taxable year," and

(2) by striking "or fifth" and inserting "fifth, sixth, or seventh.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after December 31, 2000.

SEC. 1202. LIMITATION ON USE OF NON-ACCRUAL EXPERIENCE METHOD OF ACCOUNTING.

(a) IN GENERAL.—Section 488(d)(5) (relating to non-accrual experience method) is amended—

(1) by inserting "in fields described in paragraph (2)(A)" after "services by such person," and

(2) by inserting "certain personal services" in the heading.

(b) EFFECTIVE DATE.—This section shall apply to taxable years beginning after December 31, 2000.

PART IV—CLARIFICATION OF EXCEPTION FROM IMPERMISSIBLE TENANT SERVICES

SEC. 1151. CLARIFICATION OF EXCEPTION FOR INDEPENDENT OPERATORS.

(a) IN GENERAL.—Paragraph (3) of section 856(d) (relating to independent contractor defined) shall be amended—

(1) by inserting "in fields described in paragraph (2)(A)" after "services by such person," and

(2) by inserting "certain personal services" in the heading.

(b) EFFECTIVE DATE.—To reduce the basis of the services of such controlled corporation. This subsection shall be reapplied to any property of any controlled corporation which is stock in a corporation which it controlled at the time of such transfer, and the excess of the basis of such property over the basis of the stock of the controlled corporation at the time of such transfer shall be used in determining the amount of deduction for previously deducted amounts.

(8) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations to avoid double counting and to prevent the abuse of such purposes.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after December 31, 2000.

SEC. 1201. MODIFICATION TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.

(a) IN GENERAL.—Section 904(c) (relating to limitation on credit) is amended—

(1) by striking "in the second preceding taxable year," and

(2) by striking "or fifth" and inserting "fifth, sixth, or seventh.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after December 31, 2000.

SEC. 1202. LIMITATION ON USE OF NON-ACCRUAL EXPERIENCE METHOD OF ACCOUNTING.

(a) IN GENERAL.—Section 488(d)(5) (relating to non-accrual experience method) is amended—

(1) by inserting "in fields described in paragraph (2)(A)" after "services by such person," and

(2) by inserting "certain personal services" in the heading.

(b) EFFECTIVE DATE.—This section shall apply to taxable years beginning after December 31, 2000.

PART IV—CLARIFICATION OF EXCEPTION FROM IMPERMISSIBLE TENANT SERVICES

SEC. 1151. CLARIFICATION OF EXCEPTION FOR INDEPENDENT OPERATORS.

(a) IN GENERAL.—Paragraph (3) of section 856(d) (relating to independent contractor defined) shall be amended—

(1) by inserting "in fields described in paragraph (2)(A)" after "services by such person," and

(2) by inserting "certain personal services" in the heading.

(b) EFFECTIVE DATE.—To reduce the basis of the services of such controlled corporation. This subsection shall be reapplied to any property of any controlled corporation which is stock in a corporation which it controlled at the time of such transfer, and the excess of the basis of such property over the basis of the stock of the controlled corporation at the time of such transfer shall be used in determining the amount of deduction for previously deducted amounts.

(8) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations to avoid double counting and to prevent the abuse of such purposes.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after December 31, 2000.

SEC. 1201. MODIFICATION TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.

(a) IN GENERAL.—Section 904(c) (relating to limitation on credit) is amended—

(1) by striking "in the second preceding taxable year," and

(2) by striking "or fifth" and inserting "fifth, sixth, or seventh.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after December 31, 2000.

SEC. 1202. LIMITATION ON USE OF NON-ACCRUAL EXPERIENCE METHOD OF ACCOUNTING.

(a) IN GENERAL.—Section 488(d)(5) (relating to non-accrual experience method) is amended—

(1) by inserting "in fields described in paragraph (2)(A)" after "services by such person," and

(2) by inserting "certain personal services" in the heading.

(b) EFFECTIVE DATE.—This section shall apply to taxable years beginning after December 31, 2000.
over a period (not greater than 4 taxable years) beginning with such first taxable year.

SEC. 1203. RETURNS RELATING TO CANCELLATIONS OF INDEBTEDNESS BY ORGANIZATIONS PURSUANT TO SUBSECTION (A).
(a) IN GENERAL.—Paragraph (2) of section 6050P(c) (relating to definitions and special rules) is amended by striking ‘‘and’’ at the end of subparagraph (A), by striking the period at the end of subparagraph (C) and inserting ‘‘, and’’, and by inserting after subparagraph (C) the following new subparagraph (D):—

‘‘(D) any organization a significant trade or business of which is the lending of money.’’

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to discharges of indebtedness after December 31, 1999.

SEC. 1204. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.
(a) IN GENERAL.—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end of the following new section:

‘‘SEC. 7527. INTERNAL REVENUE SERVICE USER FEES.

‘‘(a) GENERAL RULE.—The Secretary shall establish a program requiring the payment of fees for—

‘‘(1) requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters, and

‘‘(2) other similar requests.

‘‘(b) PROGRAM CRITERIA.—

‘‘(1) IN GENERAL.—The fees charged under the program established under subsection (a)—

‘‘(A) shall vary according to categories (or subcategories) established by the Secretary,

‘‘(B) shall be determined after taking into account the average time for (and difficulty of) complying with requests in each category (and subcategory), and

‘‘(C) shall be payable in advance.

‘‘(2) EXEMPTIONS, ETC.—The Secretary shall provide for such exemptions (and reduced fees) under such program as the Secretary determines to be appropriate.

‘‘(3) ESTIMATED OR FINAL FEE REQUIREMENT.—The average fee charged under the program required by subsection (a) shall not be less than the amount determined under the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Average Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee plan ruling and opinion</td>
<td>320</td>
</tr>
<tr>
<td>Exempt organization ruling</td>
<td>350</td>
</tr>
<tr>
<td>Employee plan determination</td>
<td>300</td>
</tr>
<tr>
<td>Exempt organization determination</td>
<td>275</td>
</tr>
<tr>
<td>Chief counsel ruling</td>
<td>200</td>
</tr>
</tbody>
</table>

‘‘(c) TERMINATION.—No fee shall be imposed under this section with respect to requests made after September 30, 2009.’’

(b) CONFORMING AMENDMENTS.—

(1) THE PLACEMENT OF SECTION 7527.—Section 7527 of the Revenue Act of 1987 is repealed.

(2) EFFECTIVE DATE.—The amendments made by this section shall apply to requests made after the date of the enactment of this Act.

SEC. 1205. CHARITABLE SPLIT-DOLLAR LIFE INSURANCE, ANNUITY, AND ENDOWMENT CONTRACTS.
(a) IN GENERAL.—Section 7705(b)(2) of the Internal Revenue Code of 1986 (as added by section 501 of the Health Care Reform Act of 1990) is amended—

(i) in paragraph (1), by striking ‘‘not paid after the date of the enactment of this Act’’ and inserting ‘‘not paid after August 1, 1990’’;

(ii) in paragraph (2), by striking ‘‘made by this section shall apply to requests made after the date of the enactment of this Act’’ and inserting ‘‘made by this section shall apply to requests made after August 1, 1990’’;

(iii) in paragraph (3), by striking ‘‘the date of the enactment of this Act’’ and inserting ‘‘August 1, 1990’’;

(iv) in paragraph (4), by substituting ‘‘made after the date of the enactment of this Act’’ for ‘‘made after August 1, 1990’’;

(v) in paragraph (5), by striking ‘‘made by this section shall apply to requests made after the date of the enactment of this Act’’ and inserting ‘‘made by this section shall apply to requests made after August 1, 1990’’;

(vi) in paragraph (6), by replacing ‘‘the date of the enactment of this Act’’ with ‘‘August 1, 1990’’;

(b) EFFECTIVE DATE.—Except as otherwise provided in this section, the amendment made by this section shall apply to transfers made after August 1, 1990.

(c) E EFFECTIVE DATE.—

(1) ANNUITY, ETC.—The amendments made by this section shall apply to requests made after the date of the enactment of this Act.

(2) PAYMENTS.—The amendments made by this section shall apply to requests made after August 1, 1990.
SEC. 1207. LIMITATIONS ON WELFARE BENEFIT FUNDS OF 10 OR MORE EMPLOYER PLANS.

(a) BENEFITS TO WHICH EXCEPTION APPLIES.—Section 419A(f)(6)(A) (relating to exceptions for amounts attributable to rabies or hepatitis B vaccine sales) is amended by striking "(A)'' each place it appears and inserting "(A)''.

(b) MODIFICATION OF PLEDGE RULES.—Paragraph (3) of section 419A(f)(6) is amended by striking "(A)'' and inserting "(A)''.

SEC. 1208. MODIFICATION OF INSTALLMENT METHODS OF ACCOUNTING.

(a) REPEAL OF INSTALLMENT METHOD FOR ACCRUAL METHOD TAXPAYERS.

(1) IN GENERAL.—Subsection (a) of section 453B (relating to installment method) is amended by striking "in any taxable year beginning after December 31, 2000'' and inserting "made after September 30, 2009''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2009.

SEC. 1209. INCLUSION OF CERTAIN VACCINES AGAINST STREPTOCOCCUS PNEUMONIAE TO LIST OF TAXABLE VACCINES.

(a) IN GENERAL.—Section 4132(a)(1) (defining taxable vaccine) is amended by adding at the end the following new subparagraph:

"(L) Any conjugate vaccine against streptococcus pneumoniae.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to sales or other dispositions occurring on or after the date of the enactment of this Act.

SEC. 1210. RESTORATION OF PHASE-OUT OF UNIFORM AMORTIZATION PERIODS FOR INTANGIBLES.

(a) START-UP EXPENDITURES.—

(1) ALLOWANCE OF DEDUCTION.—Subsection (b) of section 195 (relating to start-up expenditures) is amended by striking the heading and redesignating paragraphs (1) and (2) as paragraphs (2) and (3), respectively.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if in the normal way because of damage, theft, or destruction of the property.

SEC. 1211. REPEAL OF LOWER-OF-COST-OR-MARKET METHOD OF ACCOUNTING FOR INVENTORIES.

(a) IN GENERAL.—Section 471 (relating to general rule for inventories) is amended by redesignating subsection (b) as subsection (c) and by inserting before subsection (a) the following new subsection:

"(1) TAXPAYERS NOT ENTITLED TO USE THE LOWER-OF-COST-OR-MARKET METHOD.—A taxpayer is not entitled to use the lower-of-cost-or-market method if the taxpayer during the taxable year does not maintain an adequate cost accounting system or an adequate record-keeping system that is appropriate to carry out the purposes of this Act.

SEC. 1212. CONSISTENT AMORTIZATION PERIODS FOR INTANGIBLES.

(a) START-UP EXPENDITURES.—

(1) ALLOWANCE OF DEDUCTION.—Subsection (b) of section 195 (relating to start-up expenditures) is amended by striking the heading and redesignating paragraphs (1) and (2) as paragraphs (2) and (3), respectively.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if in the normal way because of damage, theft, or destruction of the property.

(2) MODIFICATION OF PLACEMENT FOR INTANGIBLES.—Section 197 (relating to amortization of intangible personal property) is amended by striking the heading and redesignating paragraph (1) as paragraph (2) and by inserting before paragraph (2) the following new paragraph:

"(1) TAXPAYERS NOT ENTITLED TO USE THE LOWER-OF-COST-OR-MARKET METHOD.—A taxpayer is not entitled to use the lower-of-cost-or-market method if the taxpayer during the taxable year does not maintain an adequate cost accounting system or an adequate record-keeping system that is appropriate to carry out the purposes of this Act.
paragraph (2) as paragraph (4) and by amended to read as follows:

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(a) Election to Deduct.—
(1) In general. — If a corporation elects the application of this subsection in accordance with regulations prescribed by the Secretary with respect to any organizational expenditures—
(A) the corporation shall be allowed a deduction in the taxable year in which the corporation begins business in an amount equal to the lesser of—
(i) by organizational expenditures with respect to the taxpayer, or
(ii) $5,000, reduced (but not below zero) by the amount by which such organizational expenditures exceed $50,000, and

(B) the remainder of such organizational expenditures shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the corporation begins business.

(2) Aggregation Rule.—For purposes of paragraph (1), all persons which are treated as a single employer under subsection (a) or (b) of section 267 shall be treated as a single person.

(c) Treatment of Organizational and Syndication Fees or Partnerships.—Section 709(b) (relating to amortization of organization fees) is amended by redesignating paragraph (2) as paragraph (4) and by amending paragraph (1) to read as follows:

(1) Allowance of Deduction.—If a taxpayer elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenditures—

(A) the taxpayer shall be allowed a deduction for the taxable year in which the partnership begins business in an amount equal to the lesser of—

(i) the amount of organizational expenses with respect to the partnership, or

(ii) $5,000, reduced (but not below zero) by the amount by which such organizational expenses exceed $50,000, and

(B) the remainder of such organizational expenses shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the partnership begins business.

(2) Aggregation Rule.—For purposes of paragraph (1), the term 'qualified entity' means—

(A) any real estate investment trust, and

(B) any partnership in which one real estate investment trust owns at least 50 percent of the capital and profits interests in the partnership.

(3) Attribution Rules.—For purposes of this paragraph (1) and (2)—

(A) IN GENERAL.—Rules similar to the rules of subsections (d)(5) and (h)(3) shall apply.

(B) STAPLED ENTITIES.—A group of entities which are stapled entities (as defined in section 563(c)(2)) shall be treated as 1 person.

(C) Conforming Amendment.—Paragraph (2) of section 1067 is amended by striking "and" and inserting "or" in the preceding part. Sections 1067, 1068, and 1069 of the Internal Revenue Code of 1986 (relating to elections and nonratable expenses) are amended by adding at the end the following new subsection:

(1) NOTIFICATION.—In any case in which a person is a member of a partnership which was not a member of such partnership as of such date (without extensions for the return of tax imposed by this chapter for the taxable year in which such transaction closed), the period during which such person is a member of such partnership shall be determined by adding to the period the month in which the transaction closed. The period during which such person is a member of such partnership shall be determined by adding to the period the month in which the transaction closed.

(2) Effective Date.—The amendments made by this section shall apply to taxable years ending after July 14, 1999.

SEC. 1214. CONTROLLED ENTITIES INELIGIBLE FOR FUNDING OF CONSTRUCTION PROJECTS.

(a) In General.—Section 856(h)(2)(A) of the Internal Revenue Code of 1986 is amended by inserting "or a pass-through entity" after "any entity which" and inserting "(A) any equity interest in any pass-through entity to which the application of this section would apply as described in section 1067, or (B) a debt instrument of a pass-through entity which would be treated as a pass-through entity for purposes of section 1067;" after "and (B) the remainder of such organizational expenditures shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the corporation begins business."
“(C) an S corporation,
“(D) a partnership,
“(E) a trust,
“(F) a common trust fund,
“(G) a passive foreign investment company (as defined in section 1296(b)), and
“(H) a foreign personal holding company,
“(I) a foreign investment company (as defined in section 1297 without regard to subparagraph (B)), or
“(J) a REMIC.

“(d) CONSTRUCTIVE OWNERSHIP TRANSACTION.—For purposes of this section—

“(1) the taxpayer shall be treated as having entered into a constructive ownership transaction with respect to any financial asset if the taxpayer—

“(A) holds a long position under a notional principal contract with respect to the financial asset,

“(B) enters into a forward or futures contract to acquire the financial asset,

“(C) is the holder of a call option, and is the grantor of a put option, with respect to the financial asset and such options have substantially contemporaneous strike prices and substantially contemporaneous maturities, or

“(D) to the extent provided in regulations prescribed by the Secretary, enters into one or more other transactions (or acquires one or more positions) that have substantially the same effect as a transaction described in any of the preceding subparagraphs,

“(2) EXCEPTION FOR POSITIONS WHICH ARE MARKED TO MARKET.—This section shall not apply to any constructive ownership transaction prescribed by the Secretary, if a con- structive asset if such person—

“(A) has the right to be paid (or receive credit for) all or substantially all of any decrement in the value of such financial asset, or

“(B) is obligated to reimburse (or provide or receive credit for) such financial asset for a specified period, and

“(c) E FFECTIVE DATE.–The amendments made by this section shall apply to transactions entered into after November 4, 1991.

SEC. 1217. RESTRICTION ON USE OF REAL ESTATE INVESTMENT TRUSTS TO AVOID ESTIMATED TAX PAYMENT REQUIREMENTS.

“(a) IN GENERAL.—Subsection (c) of section 6655 (relating to estimated tax by corporations) is amended by adding at the end the following new paragraph:

“(5) TREATMENT OF CERTAIN REIT DIVIDENDS.

“(A) IN GENERAL.—Any dividend received from a closely held real estate investment trust by any person who owns (after application of subsections (d) and (e) of section 857) 10 percent or more (by vote or value) of the stock or beneficial interests in the trust shall be taken into account in computing annualized income installment under paragraph (4). In a manner similar to the manner under which partnership income inclusions are taken into account.

“(B) CLOSELY HELD REIT.—For purposes of subparagraph (A), a ‘closely held real estate investment trust’ means a real estate investment trust with respect to which 5 or fewer persons own (after application of subsection (d) and (e) of section 857) 50 percent or more (by vote or value) of the stock or beneficial interests in the trust.”

“(b) ELECTIVE REFORMATION—The amendments made by subsection (a) shall apply to estimated tax payments due on or after September 15, 1999.

SEC. 1218. PROHIBITED ALLOCATIONS OF S CORPORATION STOCK HELD BY AN ESP.

“(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit eligible employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (q) the following new subsection:

“(p) PROHIBITED ALLOCATION OF SECURITIES IN AN S CORPORATION.—

“(1) IN GENERAL.—An employee stock ownership plan holding employer securities consisting of stock in an S corporation shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a non-allocation year, be allocated directly or indirectly under any plan of the employer meeting the requirements of section 401(a) for the benefit of any disqualified individual.

“(2) FAILURE TO MEET REQUIREMENTS.—If a plan fails to meet the requirements of paragraph (1)—

“(A) the plan shall be treated as having distributed to any disqualified individual the amount allocated to the account of such individual in violation of paragraph (1) at the time of such allocation,

“(B) the provisions of section 4979A shall apply, and

“(C) the statutory period for the assessment of any tax imposed by section 4979A shall not expire before the date which is 3 years from the later of—

“(i) the allocation of employer securities resulting from the failure under paragraph (1) giving rise to such tax, or

“(ii) the date on which the Secretary is notified of such failure.

“(3) NONALLOCATION YEAR.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘nonallocation year’ shall apply for purposes of determining ownership, except that—

“(i) in applying paragraph (1) thereof, the members of an individual’s family shall include members of the family described in paragraph (4)(D), and

“(ii) disqualified individuals own at least 50 percent of the number of outstanding shares of stock in such S corporation.

“(4) DISQUALIFIED INDIVIDUAL.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘disqualified individual’ means any individual who is a participant or beneficiary under the employee stock ownership plan if—

“(i) the aggregate number of deemed-owned shares of such individual and the members of the individual’s family is at least 20 percent of the number of outstanding shares of stock in the S corporation constituting employer securities of such plan, or

“(ii) if such individual is not described in clause (i), the number of deemed-owned shares of such individual is at least 10 percent of the number of outstanding shares of stock in such corporation.

“(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified individual described in subparagraph (A)(i), any member of the individual’s family with deemed-owned shares shall be treated as a disqualified individual if not otherwise a disqualified individual described in subparagraph (A)(i), any member of the individual’s family is at least 20 percent of the number of outstanding shares of stock in such S corporation constituting employer securities of such plan, or

“(C) PROHIBITED OWNERSHIP.—For purposes of this paragraph—

“(1) IN GENERAL.—The term ‘deemed-owned shares’ means shares with respect to any participant or beneficiary under the employee stock ownership plan—

“(i) the stock in the S corporation constituting employer securities of such plan which is allocated to such participant or beneficiary under the plan, and

“(ii) such participant’s or beneficiary’s shares in such corporation which is held by such trust but which is not allocated under the plan to employees.
SEC. 1219. ALLOCATION OF BASIS ON TRANSFERS OF CONTROLLING IN INTERESTS IN CERTAIN NON-RECOGNITION TRANSACTIONS

(a) TRANSFERS TO CORPORATIONS.—Section 351 (relating to transfer to corporation control) is amended by redesignating subsection (h) or (f)(ii)(B) shall be treated under this section as a transfer of property even if the transfer is of less than all of the substantial rights of the transferee in the property.

(b) TRANSFERS TO PARTNERSHIPS.—Subsection (d) of section 721 is amended to read as follows:

"(d) TRANSFERS OF INTANGIBLE PROPERTY.—

(1) IN GENERAL.—Rules similar to the rules of section 351(h)(2) shall apply for purposes of this section.

(2) TRANSFERS TO FOREIGN PARTNERSHIPS.—For regulatory authority to treat intangibles transferred to a partnership as sold, see section 367(d)(3).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers on or after the date of the enactment of this Act.

SEC. 1221. DISTRIBUTIONS TO A CORPORATE PARTNER OF STOCK IN ANOTHER CORPORATION

(a) IN GENERAL.—Section 351 (relating to basis of distributed property other than money) is amended by adding at the end the following new paragraph:

"(7) CORRESPONDING ADJUSTMENT TO BASIS OF ASSETS OF A DISTRIBUTED CORPORATION CONTROLLED BY A CORPORATE PARTNER.—

(1) IN GENERAL.—If—

"(A) a corporation (hereafter in this subsection referred to as the 'corporate partner') receives a distribution from a partner company in another corporation (hereafter in this subsection referred to as the 'distributed corporation'),

(B) the corporate partner has control of the distributed corporation immediately after the distribution or at any time thereafter, and

(C) the partnership's adjusted basis in such stock immediately after the distribution exceeded the corporate partner's adjusted basis in such stock immediately after the distribution, then an amount equal to such excess shall be applied (in accordance with subsection (c) the basis of property held by the distributed corporation at such time (or, if the corporate partner does not control the distributed corporation at such time, at the time the corporate partner first has such control).

"(2) EXCEPTION FOR CERTAIN DISTRIBUTIONS BETWEEN CONTROLLED CORPORATIONS.—Paragraph (1) shall not apply to any distribution of stock in the distributed corporation if—

(A) the corporate partner does not have control of such corporation immediately after such distribution, and

(B) the corporate partner establishes to the satisfaction of the Secretary that such distribution was not part of a plan or arrangement to acquire control of the distributed corporation.

"(3) LIMITATIONS ON BASIS REDUCTION.—

(A) IN GENERAL.—The amount of the reduction under paragraph (1) shall not exceed the amount by which the sum of the aggregate adjusted bases of the property and the amount of money of the distributed corporation exceeds the corporate partner's adjusted basis in the stock of the distributed corporation.

(B) REDUCTION TO EXCEED ADJUSTED BASIS OF PROPERTY.—No reduction under paragraph (1) in the basis of any property shall exceed the adjusted basis of such property (as determined without regard to such reduction).

"(4) GAIN RECOGNITION WHERE REDUCTION LIMITS THE AMOUNT OF MONEY DISTRIBUTED.—For purposes of paragraph (1), if a corporation acquires (other than in a distribution from a partnership) stock in which is determined in whole or in part by reference to subsection (a)(2) or (b), the corporate partner shall be treated as receiving a distribution of such stock from a partnership.

"(5) SPECIAL RULE FOR STOCK IN CONTROLLED CORPORATION.—If the property held by a distributed corporation is stock in a corporation which the distributed corporation controls, this subsection shall apply to reduce the basis of the property of such controlled corporation. This subsection shall be reapplied to any property of any controlled corporation which is stock in a corporation which it controls.

"(6) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations providing for the treatment of any stock option, restricted stock, stock appreciation right, phantom stock unit, performance unit, or similar instrument granted by an S corporation as stock or not stock.

"(7) INTANGIBLE PROPERTY DEVELOPED FOR TRANSFER.—This section shall not apply to a transfer of property, the transferor's basis immediately before the transfer shall be allocated among the rights retained by the transferor and the rights transferred based on their respective fair market values.

"(8) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section.

"(9) APPLICABILITY.—This section shall apply to plan years beginning after July 14, 1999.

"(10) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers on or after the date of the enactment of this Act.

SEC. 1301. SUNSET OF PROVISIONS OF ACT

All provisions of, and amendments made by, this Act which are in effect on September 30, 2009, shall cease to apply as of the close of September 30, 2009.

LINCOLN AMENDMENT NO. 1385

(Ordred to lie on the table.)

Mrs. LINCOLN submitted an amendment intended to be proposed by her to the bill, S. 1429, supra; as follows:
At the appropriate place add the following:

To amend the Internal Revenue Code of 1986 to clarify that any amount allowable as a child tax credit under section 24 or an earned income credit under section 32 shall not be treated as income for purposes of any means-tested Federal program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. COORDINATION OF CHILD TAX CREDIT WITH CERTAIN MEANS-TESTED PROGRAMS.

Section 24 of the Internal Revenue Code of 1986 (relating to child tax credit) is amended by adding at the end the following new subsection:

"(g) COORDINATION WITH CERTAIN MEANS-TESTED PROGRAMS.—Any refund or credit made to an individual by reason of this section shall not be treated as income or receipts (or taken into account in determining resources) for purposes of determining—

(1) the eligibility of the individual or any other individual for any month for benefits or assistance under any Federal program or any State or local program financed in whole or in part with Federal funds, or

(2) the amount or extent of such benefits or assistance.

SEC. 2. COORDINATION OF EARNED INCOME CREDIT WITH CERTAIN MEANS-TESTED PROGRAMS.

Subsection (l) of section 32 of the Internal Revenue Code of 1986 (relating to coordination with certain means-tested programs) is amended to read as follows:

"(l) COORDINATION WITH CERTAIN MEANS-TESTED PROGRAMS.—Any refund or credit made to an individual by reason of this section and any amount made to such individual by an employer under section 3307, shall not be treated as income or receipts (or taken into account in determining resources) for purposes of determining—

(1) the eligibility of the individual or any other individual for any month for benefits or assistance under any Federal program or any State or local program financed in whole or in part with Federal funds, or

(2) the amount or extent of such benefits or assistance.

SPEC. AMENDMENT NO. 1386

Ordered to lie on the table.

Mr. SPEYER submitted an amendment intended to be proposed by him to the bill, to which the Senate added, as follows:

Strike all after the first word and insert:

1. SHORT TITLE; TABLE OF CONTENTS; AMENDMENT OF 1986 CODE

(a) SHORT TITLE.—This Act may be cited as the "Flat Tax Act of 1999".

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents; amendment of 1986 Code.
Sec. 2. Flat tax on individual taxable earned income and business taxable income.
Sec. 3. Repeal of estate and gift taxes.
Sec. 4. Additional repeals.
Sec. 5. Effective date.

(c) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or provision of the Internal Revenue Code of 1986.

SEC. 2. FLAT TAX ON INDIVIDUAL TAXABLE EARNED INCOME AND BUSINESS TAXABLE INCOME.

(a) IN GENERAL.—Subchapter A of chapter 1 of title 1 is amended to read as follows:

``Subchapter A—Determination of Tax Liability

"(a) EARNED INCOME.—For purposes of this subchapter, the term 'earned income' means the excess (if any) of—

"(1) the earned income received or accrued during the calendar year by any individual (other than a married individual filing a joint return), over

"(2) the sum of—

"(A) the standard deduction,

"(B) the deduction for cash charitable contributions, and

"(C) the deduction for home acquisition indebtedness,

for such taxable year.

"(b) TAXABLE EARNED INCOME.—For purposes of this section, the term 'taxable earned income' means the excess (if any) of—

"(1) the earned income received or accrued during the calendar year by any individual (other than a married individual filing a joint return), over

"(2) the sum of—

"(A) the standard deduction,

"(B) the deduction for cash charitable contributions, and

"(C) the deduction for home acquisition indebtedness,

for such taxable year.

"(c) EARNED INCOME.—For purposes of this section, the term 'earned income' means the excess (if any) of—

"(1) the earned income received or accrued during the calendar year by any individual (other than a married individual filing a joint return), over

"(2) the sum of—

"(A) the standard deduction,

"(B) the deduction for cash charitable contributions, and

"(C) the deduction for home acquisition indebtedness,

for such taxable year.

"(d) INFLATION ADJUSTMENT.—

"(1) IN GENERAL.—In the case of any taxable year beginning in calendar year after 1999, each dollar amount contained in subsection (b) and (c) shall be increased by an amount equal to—

"(A) 30 percent of the inflation adjustment factor for such year, plus

"(B) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting "calendar year 1992" for "calendar year 1992" in subparagraph (B) of section 1(f)(3)."

``(2) ROUNDING.—If any increase determined under paragraph (1) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

``SEC. 3. DEDUCTION FOR CASH CHARITABLE CONTRIBUTIONS.

``(a) GENERAL RULE.—For purposes of this section, the term 'charitable contribution' means a contribution or gift of cash or its equivalent to or for the use of—

"(1) A State, a possession of the United States, or any political subdivision of any of the foregoing, or the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

"(2) A corporation, trust, or community chest, fund, or foundation—

"(A) created or organized in the United States, or in any possession thereof, or under the laws of any foreign nation, or the United States, or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.

"(B) organized and operated exclusively for religious, charitable, scientific, literary, educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the use of any portion of athletic facilities or equipment), or for the prevention of cruelty to children or animals.

"(C) no part of the net earnings of which inures to the benefit of any private shareholder or individual, and

"(D) which is not disqualified for tax exemption under section 501(c)(3) by reason of attempting to influence legislation and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf (or in opposition to) any candidate for public office.

A contribution or gift by a corporation to a trust, chest, fund, or foundation shall be deductible by reason of this paragraph only if it is to be used within the United States or any of its possessions exclusively for purposes specified in subparagraph (B). Rules similar to the rules of section 501(l) shall apply for purposes of this paragraph.

"(3) A post or organization of war veterans, or an auxiliary unit or society of, or trust or foundation for, any such post or organization—

"(A) organized in the United States or any of its possessions, and
(B) no part of the net earnings of which serves the benefit of any private share-

holder or individual.

(4) In the case of a contribution or gift by an individual, a domestic fraternal society, order, combination, or association operated as a benefit plan of an insurance company or a lodge system, but only if such contribution or gift is to be used exclusively for religious, charitable, scientific, literary, or edu-
cational purposes for the prevention of cruelty to children or animals.

(5) A cemetery company owned and oper-

ated exclusively for the benefit of its mem-

bers, or a cemetery company chartered solely for burial purposes as a cemetery corporation and not permitted by its charter to engage in any business not necessarily incident to that purpose.

(6) Whether any company or corporation is not operated for profit and no part of the net earnings of such company or corporation inures to the benefit of any private share-

holder or individual.

For purposes of this section, the term ‘chari-
table contribution’ also means an amount treated under subsection (d) as paid for the use of an organization described in para-

graph (2), (3), or (4).

(c) Substantiation Requirement for Cer-

tain Contributions.—

(1) General Rule.—No deduction shall be

allowed under subsection (a) for any con-

tribution of $250 or more unless the taxpayer substantiates the contribution by a contem-

poraneous written acknowledgment of the contribution by the donee organization that meets the requirements of subparagraph (B).

(2) Contemporaneous Written Acknowledgment.—An acknowledgment meets the requirements of this subparagraph if it includes the following information:

(i) The amount of cash contributed.

(ii) Whether the donee organization pro-

vided any goods or services in considera-

tion, in whole or in part, for any contribution de-

scribed in clause (i).

(iii) A description and good faith estimate of the value of any goods or services referred to in clause (ii) or, if such goods or services consist of goods or services provided for religious purposes and which generally is not sold in a commercial transaction outside the donative context.

(iv) A description of goods or services provided in kind to the extent the donee organization provides goods or services of the same kind to the general public on totally comparable terms.

(v) For purposes of paragraphs (1) and (2), an acknowledgment shall be considered to be contemporaneous if the taxpayer obtains the acknowledgment on or before the earlier of—

(A) the date on which the taxpayer files a return for the taxable year in which the contribu-

tion was made, or

(B) the date on which the taxpayer files a return for the taxable year in which the contribu-

tion was paid by the taxpayer to maintain an indi-

vidual (other than a dependent, as defined in section 5(d), or a relative of the taxpayer) as a member of such taxpayer’s household dur-

ing the period that such individual is—

(A) a member of the taxpayer’s household under a written agreement between the tax-

payer and an organization described in para-

graph (2), (3), or (4) of subsection (b) to im-

plement a program of the organization to provide educational opportunities for pupils or students in private homes, and

(B) a full-time pupil or student in the twelfth or any lower grade at an educational organization located in the United States which normally maintains a regular faculty and curriculum and normally has a regularly 

enrolled body of pupils or students in attend-

ance at the place where its educational ac-

tivities are regularly carried on,

shall be treated as amounts paid for the use of the organization.

(2) Limitations.—

(A) Amount.—Paragraph (1) shall apply to amounts paid within the taxable year only to the extent that such amounts do not ex-

ceed $50 multiplied by the number of full cal-

endar months during the taxable year which fall within such period and that are described in paragraph (1). For purposes of the preceding sentence, if 15 or more days of a calendar month fall within such period such month shall be con-

sidered as a full month.

(B) Compensation or Reimbursement.—

Paragraph (1) shall not apply to any amount paid by the taxpayer within the taxable year if the taxpayer receives any money or other property as compensation or reimbursement for maintaining the individual in the tax-

payer’s household during the period de-

scribed in paragraph (1).

(3) Relative Defined.—For purposes of paragraph (1), the term ‘relative of the tax-

payer’ means an individual who, with respect to the taxpayer, bears any of the relationships described in subparagraphs (A) through (H) of section 5(d)(1).

(4) No Other Amount Allowed as Deduc-

tion.—No deduction shall be allowed under subsection (a) for any amount paid by a tax-

payer to maintain an individual as a member of the taxpayer’s household under a program that is a qualified residence interest (as de-

scribed in section 1(f)) except as provided in this subsection.

(e) Denial of Deduction for Certain Travel Expenses.—No deduction shall be al-

lowed in this section for traveling ex-

penses (including amounts expended for meals and lodging) while away from home, whether paid directly or by reimbursement, incurred as a significant element of per-

sonal pleasure, recreation, or vacation in such travel.

(f)Disallowance of Deductions in Cer-

tain Cases.—For disallowance of deductions for contributions to or for the use of Com-

munist controlled organizations, see section 11(a) of the Internal Security Act of 1950 (50 U.S.C. 778).

(g) Treatment of Certain Amounts Paid to or for the Benefit of Institutions of Higher Education.—

(1) In General.—For purposes of this sec-

tion, 80 percent of any amount described in paragraph (2) shall be treated as a charitable contribution.

(2) Amount Described.—For purposes of paragraph (1), an amount is described in this paragraph if-

(a)(i) the amount is paid by the taxpayer to or for the benefit of an educational organiza-

tion—

(A) which is described in subsection (d)(1)(B), and

(ii) which is an institution of higher edu-

cation (as defined in section 501(c)(3)), and

(b) such amount would be allowable as a deduction under this section but for the fact that the taxpayer receives (directly or indi-

cantly) as a result of paying such amount the right to purchase tickets for seating at an athletic event in an athletic stadium of such institution.

If any portion of a payment is for the pur-

chase of such tickets, such portion and the remaining portion (if any) of such payment shall be treated as separate amounts for pur-

poses of this subsection.

(3) Other Cross References.—

(1) For treatment of certain organizations providing child care, see section 501(k).

(2) For charitable contributions of partners, see section 702.

(3) For treatment of gifts for benefit of or use in connection with the Naval Academy as gifts to or for the use of the United States, see section 8973 of title 10, United States Code.

(4) For treatment of gifts accepted by the Secretary of State, the Director of the Intern-

ational Communication Agency, or the Di-

rector of the United States International De-

velopment Cooperation Agency, as gifts to or for the use of the United States, see section 25 of the State Department Basic Authorities Act of 1966.

(5) For treatment of gifts of money ac-

cepted by the Attorney General for credit to the ‘Commissary Funds, Federal Prisons’ as gifts to or for the use of the United States, see section 4093 of title 18, United States Code.

(6) For charitable contributions to or for the use of Indian tribal governments (or sub-

divisions of such governments), see section 7871.

SEC. 4. DEDUCTION FOR HOME ACQUISITION IN-

DEBTIVENESS.

(a) General Rule.—For purposes of this part, there shall be allowed as a deduction all qualified residence interest paid or ac-

crved within the taxable year.

(b) Qualified Residence Interest De-

fined.—The term ‘qualified residence inter-

est’ means any interest which is paid or ac-

crved during the taxable year on acquisition indebtedness with respect to any qualified residence described in paragraphs (1) through (4) of section 163(h)(3).

(1) In General.—The term ‘acquisition in-

debtiveness’ means any indebtedness which

is incurred in connection with an ac-

quisition of an interest in—

(A) a home to be used as a principal resi-

dence, or

(B) an interest in any business not necessarily incident to that purpose.

(2) Determination of Indebtedness.—

The Secretary shall prescribe such regulations as may be nec-

essary or appropriate to carry out the pur-

poses of this paragraph, including regula-

tions that may provide that some or all of the requirements of this paragraph do not apply in appropriate cases.

3471. I certify that the foregoing is a true and accurate copy of the Committee's hearing held on July 28, 1999.
(B) secured by such residence.

Such term of indebtedness secured by such residence resulting from the refinancing of indebtedness meeting the requirements of the preceding sentence (or this sentence); but only to the extent the amount of the refinancing resulting from such refinancing does not exceed the amount of the refinanced indebtedness.

(2) $100,000 LIMITATION.—The aggregate amount treated as acquisition indebtedness for any period shall not exceed $100,000 ($50,000 in the case of a married individual filing a joint return).

(d) Treatment of Indebtedness Incurred On or Before October 13, 1987.—

(1) In General.—In the case of any pre-October 13, 1987, indebtedness—

(A) such indebtedness shall be treated as acquisition indebtedness, and

(B) the limitation of subsection (c)(2) shall not apply.

(2) Reduction in $100,000 Limitation.—The limitation of subsection (c)(2) shall be reduced (but not below zero) by the aggregate amount of outstanding pre-October 13, 1987, indebtedness.

(3) Pre-October 13, 1987, Indebtedness.—The term 'pre-October 13, 1987, indebtedness' means—

(A) any indebtedness which was incurred on or before October 13, 1987, and which was secured by a qualified residence on October 13, 1987, and thereafter before the interest is paid or accrued, or

(B) any indebtedness which is secured by the qualified residence and was incurred after October 13, 1987, to refinance indebtedness described in subparagraph (A) (or refinanced indebtedness meeting the requirements of this subparagraph) and the principal amount of the indebtedness resulting from the refinancing does not exceed the principal amount of the refinanced indebtedness (immediately before the refinancing).

(4) Limitation on Period of Refinancing.—Subparagraph (B) of paragraph (3) shall not apply to any indebtedness after—

(A) the expiration of the term of the indebtedness described in subparagraph (A) or

(B) if the principal of the indebtedness described in subparagraph (A) is not amortized over its term to the first refinancing of such indebtedness (or if earlier, the date which is 30 years after the date of such first refinancing).

(e) Other Definitions and Special Rules.—For purposes of this section—

(1) Qualified Residence.—For purposes of this subsection—

(A) In General.—Except as provided in subparagraph (A), the term 'qualified residence' means the principal residence of the taxpayer.

(B) Married Individuals Filing Separate Returns.—If a married couple does not file a joint return for the taxable year—

(i) such couple shall be treated as 1 taxpayer for purposes of subparagraph (A), and

(ii) each individual shall be entitled to take into account ½ of the principal residence unless both individuals consent in writing to taking into account the principal residence.

(C) Pre-October 13, 1987, Indebtedness.—In the case of any pre-October 13, 1987, indebtedness, the term 'qualified residence' means the meaning given therein to section 16(h)(4), as in effect on the day before the date of enactment of this subparagraph.

(g) Corporations.—Any indebtedness secured by stock held by the taxpayer as a tenant-stockholder in a cooperative housing corporation shall be treated as secured by the house or apartment which the taxpayer is entitled to occupy as such a tenant-stockholder.

(2) Unenforceable Security Interests.—Indebtedness shall not fail to be treated as secured by any property solely because, under applicable law, such property is not subject to any applicable State or local homestead or other debtor protection law in effect on August 16, 1986, the security interest is ineffective or the enforceability of the security interest is restricted.

(3) Special Rules for Estates and Trusts.—For purposes of determining whether any interest paid or accrued by an estate or trust is qualified residence interest, any residence held by such estate or trust shall be treated as a qualified residence of such estate or trust if such residence establishes that such residence is a qualified residence of a beneficiary who has a present interest in such estate or trust or an interest in the residue of the trust.

SEC. 5. Definitions and Special Rules.

(a) Definition of Surviving Spouse.—

(1) In General.—For purposes of this part, the term 'surviving spouse' means a taxpayer—

(A) whose spouse died during either of the taxpayer's 2 taxable years immediately preceding the taxable year, and

(B) who maintains as the taxpayer's home a household which constitutes for the taxable year the principal place of abode of the taxpayer's spouse (other than a nonresident alien) as a member of such household of a dependent—

(i) who (within the meaning of subsection (d)) is a son, stepson, daughter, stepdaughter, or descendant of the taxpayer, or a descendant of such person by birth, marriage, or adoption,

(ii) who is entitled to a deduction for the taxable year for such father or mother under section 152(b),

(iii) who is the surviving spouse of the taxpayer's deceased spouse, or

(iv) who was married to a taxpayer at any time during the taxable year.

(B) by reason of an individual who would be considered as married under subparagraph (A) if at any time during the taxable year such individual's spouse was a nonresident alien, and

(C) whose spouse (other than a nonresident alien) died during any taxable year after the taxable year of such surviving spouse.

(2) Determination of Status.—For purposes of this subsection—

(A) a legally adopted child of a person shall be considered a child of such person by blood,

(B) an individual who is legally separated from such individual's spouse under a decree of divorce or separate maintenance shall not be considered as married,

(C) a taxpayer shall be considered as not married if at any time during the taxable year such taxpayer's spouse is a nonresident alien, and

(D) a taxpayer shall be considered as married at the close of such taxpayer's taxable year if at any time during the taxable year such taxpayer's spouse is a resident alien.

(3) Limitations.—Notwithstanding paragraph (1), for purposes of this part, a taxpayer shall not be considered to be a surviving spouse if—

(i) the individual is not treated as a surviving spouse under section 6013(f)(3),

(ii) the individual does not meet the definition of surviving spouse in section 6013(f)(3), or

(iii) the individual is not married at the close of such individual's taxable year.

(b) Definition of Head of Household.—

(1) In General.—For purposes of this part, an individual shall be considered a head of household if—

(A) the individual is not married at the close of such individual's taxable year, is not a surviving spouse (as defined in subsection (a)(1)), or

(B) maintains as such individual's home a household which constitutes for more than one-half of such taxable year the principal place of abode, as a member of such household—

(i) of a person who is not a surviving spouse, or

(ii) of the surviving spouse of such person as defined in subsection (a)(1).

(2) Determination of Status.—For purposes of this subsection—

(A) a legally adopted child of a person shall be considered a child of such person by blood,

(B) an individual who is legally separated from such individual's spouse under a decree of divorce or separate maintenance shall not be considered as married,

(C) a taxpayer shall be considered as not married if at any time during the taxable year such taxpayer's spouse is a nonresident alien, and

(D) a surviving spouse shall be considered as married at the close of such surviving spouse's taxable year if such surviving spouse's spouse (other than a nonresident alien) died during any taxable year after the taxable year of such surviving spouse.

(3) Limitations.—Notwithstanding paragraph (1), for purposes of this part, a taxpayer shall not be considered to be a head of household if—

(i) the individual is not treated as a head of household under section 6013(f)(3),

(ii) the individual does not meet the definition of head of household in section 6013(f)(3), or

(iii) the individual is not married at the close of such individual's taxable year.

(c) Dependent Defined.—

(1) General Definition.—For purposes of this part, the term 'dependent' means any of the following individuals over one-half of whose support, for the calendar year in which the taxable year of the taxpayer begins, was furnished by the taxpayer (or treated under paragraph (5) as received from the taxpayer):
(A) A son or daughter of the taxpayer, or an ascertainant of either.

(B) A stepson or stepdaughter of the taxpayer.

(C) A brother, sister, stepbrother, or stepsister of the taxpayer, or an ancestor of either.

(D) The half-brother or half-sister of the taxpayer, or an ancestor of either.

(E) A stepfather or stepmother of the taxpayer.

(F) A son or daughter of a brother or sister of the taxpayer.

(G) A brother or sister of the father or mother of the taxpayer.

(H) A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the taxpayer.

(1) An individual other than an individual who at any time during the taxable year was the spouse, determined without regard to section 7703, of the taxpayer who, for the taxable year of the taxpayer, has as such individual’s principal place of abode the home of the taxpayer and is a member of the taxpayer’s household.

(2) RULES RELATING TO GENERAL DEFINITION.—For purposes of this section—

(A) BROTHER, SISTER.—The terms ‘brother’ and ‘sister’ include a brother or sister by the same parents.

(B) CHILD.—In determining whether any of the relationships specified in paragraph (1) or subparagraph (A) of this paragraph exists, a legally adopted child of an individual (and a child who is a member of an individual’s household, if placed with such individual by an authorized placement agency for legal adoption by such individual), or a foster child of an individual (if such child satisfies the requirements of paragraph (1)(A) with respect to such individual), shall be treated as a child of an individual by blood.

(C) CITIZENSHIP.—The term ‘dependent’ does not include any individual who is not a citizen or national of the United States unless such individual is a resident of the United States or of a country contiguous to the United States. The preceding sentence shall not exclude from the definition of ‘dependent’ for purposes of the tax status of the child an individual who may be a citizen of another country.

(D) UNLAWFUL ARRANGEMENTS.—An individual is not a member of the taxpayer’s household if at any time during the taxable year of the taxpayer the relationship between such individual and the taxpayer is in violation of local law.

(3) MULTIPLE SUPPORT AGREEMENTS.—For purposes of paragraph (1), over one-half of the support of an individual for a calendar year shall be treated as received from the taxpayer if—

(A) no one person contributed over one-half of such support,

(B) over one-half of such support was received from persons each of whom, but for the fact that such person did not contribute over one-half of such support, would have been entitled to claim such individual as a dependent for a taxable year beginning in such calendar year,

(C) the taxpayer contributed over 10 percent of such support, and

(D) each person described in subparagraph (B) (other than the taxpayer) who contributed over 10 percent of such support files a written declaration (in such manner and form as the Secretary may by regulations prescribe) that such person will not claim such individual as a dependent for any taxable year beginning in such calendar year.

(4) SPECIAL SUPPORT TEST IN CASE OF STUDENTS.—For purposes of paragraph (1), in the case of any individual—

(A) a student,

(B) a student whose parent files a written declaration (in such manner and form as the Secretary may by regulations prescribe) that such parent will not claim such individual as a dependent for any taxable year beginning in such calendar year,

(C) a qualifying pre-1985 instrument holder,

(D) an individual described in section 111(d)(1)(B) shall not be taken into account in determining whether such individual received more than one-half of such individual’s support from the taxpayer.

(5) SUPPORT TEST IN CASE OF CHILD OF DIVORCED PARENTS, ETC.—

(A) CUSTODIAL PARENT GETS EXEMPTION.—Except as otherwise provided in this paragraph, if—

(i) a child receives over one-half of such child’s support during the calendar year from such child’s parents—

(1) who are divorced or legally separated under a decree of divorce or separate maintenance,

(2) over one-half of such child’s support during the calendar year from the parent having custody for more than 6 months of the calendar year,

(3) such parent has not remarried during the calendar year,

(4) such child is in the custody of 1 or both of such child’s parents for more than one-half of the calendar year,

(ii) such child is in the custody of 1 or both of such child’s parents for more than one-half of the calendar year, and

(iii) the custodial parent signs a written declaration (in such manner and form as the Secretary may by regulations prescribe) that such custodial parent will not claim such child as a dependent for any taxable year beginning in such calendar year,

(B) noncustodial parent attaches such written declaration to the noncustodial parent’s return for the taxable year beginning during such calendar year.

For purposes of this paragraph, the term ‘noncustodial parent’ means the parent who is not the custodial parent.

(C) EXCEPTION FOR MULTIPLE-SUPPORT AGREEMENT.—This paragraph shall not apply in any case in which the support of the child is treated as having been received from a taxpayer under the provisions of paragraph (5).

(5) DEDUCTION. —

(A) IN GENERAL.—The deductions specified in this subsection are—

(i) the cost of business inputs for the business activity,

(ii) the compensation (including contributions to qualified retirement plans but not including other fringe benefits) paid for employees performing services in such activity, and

(iii) the actual cost, if reasonable, of travel and entertainment expenses for business purposes.

(B) PURCHASES OF GOODS AND SERVICES EXCLUDED.—Such term shall not include purchases of goods and services provided to employees performing services in such activity.

(C) CERTAIN LOBBYING AND POLITICAL EXPENDITURES EXCLUDED.—

(i) IN GENERAL.—Such term shall not include any amount paid or incurred in connection with—

(1) influencing legislation,
(II) participation in, or intervention in, any political campaign on behalf of (or in opposition to) any candidate for public office,

(III) any attempt to influence the general public, or segments thereof, with respect to elections, legislative matters, or referendums; or

(IV) any direct communication with a covered executive branch official in an attempt to influence such official actions or positions of such official.

(ii) EXCEPTION FOR LOCAL LEGISLATION.—In the case of any legislation of any local governmental body with respect to legislation or proposed legislation of direct interest to the taxpayer, or

(bb) in direct connection with communication of information between the taxpayer and an organization of which the taxpayer is a member with respect to any such legislation or proposed legislation which is of direct interest to the taxpayer and to such organization, and that portion of the dues so paid or incurred with respect to any organization of which the taxpayer is a member which is attributable to the expenses of the activities carried on by such organization.

(iii) APPLICATION TO DUES OF TAX-EXEMPT ORGANIZATIONS.—Such term shall include all ordinary amounts paid or incurred by the taxpayer for, or preparation, planning, or coordination of, any activity described in clause (i) shall be treated as paid or incurred in connection with such activity.

(iv) INFLUENCING LEGISLATION.—For purposes of this subparagraph, the term ‘covered executive branch official’ means—

(I) the President,

(II) the Vice President,

(III) any officer or employee of the White House Office of the Executive Office of the President, and the 2 most senior level officials of each of the other agencies in such Executive Office, and

(IV) any individual serving in a position in level I of the Executive Schedule under section 5312 of title 5, United States Code, any other individual designated by the President as having level I status, and any immediate deputy of such individual.

(vii) SPECIAL RULE FOR INDIAN TRIBAL GOVERNMENTS.—For purposes of this subparagraph, an Indian tribal government shall be treated in the same manner as a local council or similar governing body.

(c) CARRYOVER OF EXCESS DEDUCTIONS.—(1) IN GENERAL.—If the aggregate deductions for any taxable year exceed the gross active income for such taxable year, the amount of the deductions specified in subsection (d) for the succeeding taxable year (determined without regard to this subsection) shall be increased by the sum of—

(A) such excess, plus

(B) the excess of such excess and the 3-month Treasury rate for the last month of such taxable year.

(2) 3-MONTH TREASURY RATE.—For purposes of this paragraph (1), the 3-month Treasury rate is the rate determined by the Secretary based on the average market yield (during any 1-month period selected by the Secretary and ending in the calendar month in which the determination is made) on outstanding marketable obligations of the United States with remaining periods to maturity of 3 months or less.

(d) REDISTRIBUTIONS.—(1) REPEALS.—The following subchapters of chapter 1 of subtitle A and the items relating to such subchapters in the table of subtitles are repealed:

(A) Subchapter B (relating to computation and treatment of empowerment zones, enterprise communities, and rural development investment areas).

(B) Subchapter C (relating to cooperatives and their patrons).

(C) Subchapter Q (relating to loss and gain on disposition of property).

(D) Subchapter P (relating to capital gains).

(E) Subchapter T (relating to cooperatives and their patrons).

(F) Subchapter U (relating to loss and gain on disposition of property).

(2) REDESIGNATIONS.—The following subchapters of title 11 of subtitle A and the items relating to such subchapters are redesignated:

(A) Subchapter E (relating to political officers and parties).

(B) Subchapter F (relating to political officers and parties).

(C) Subchapter G (relating to political officers and parties).

(D) Subchapter H (relating to political officers and parties).

(E) Subchapter I (relating to political officers and parties).

(F) Subchapter J (relating to political officers and parties).

(G) Subchapter K (relating to political officers and parties).

(H) Subchapter L (relating to political officers and parties).

(3) AMENDMENTS.—(A) In General.—Except as provided in section 6033(e), distributions and adjustments on disposition of property.

(B) Conforming Amendments.—(a) SEC. 3. REPEAL OF ESTATE AND GIFT TAXES.

Subtitle B relating to estate, gift, and generation-skipping transfers is repealed.

(b) SEC. 4. ADDITIONAL REPEALS.

Subtitles B relating to estate, gift, and generation-skipping transfers are redesignated.

(2) SEC. 5. EFFECTIVE DATES.

(a) In General.—Except as provided in paragraph (3), the amendments intended to be proposed by the Committee on Finance of the Senate a draft of any technical and conforming amendments to such Code shall be submitted to the Committee on Ways and Means of the Senate by December 31, 1999.

(b) SEC. 6. REPEAL OF ESTATE AND GIFT TAXES.—The repeal made by section 3 applies to estates of decedents dying, and transfers made, after December 31, 1999.

(c) Technical and Conforming Changes.—The Secretary of the Treasury or the Secretary of the Treasury of the United States shall, as soon as practicable but in any event not later than 90 days after the date of enactment of this Act, submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a draft of any technical and conforming changes in the Internal Revenue Code of 1986 which are necessary to reflect throughout such Code the changes in the substantive provisions of law made by this Act.

Grassley Amendments NOS. 1387, 1388

Ordinarily to be on the table.) Mr. GRASSLEY submitted two amendments intended to be proposed by him to the bill, S. 1429, supra; as follows:

AMENDMENT No. 1387

On page 38, after line 24, add the following:
Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking “2001 and 2005 on or after September 1 of each year involved” and inserting “2001, 2005, and 2009 in the month of September of each year involved”;

(2) in subsection (b), by adding at the end the following new sentence: “To effectuate the purpose of this paragraph, the Secretary may enter into a cooperative agreement, pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the American Savings Education Council.”;

(3) in subsection (e)(2)—

(A) by striking “Committee on Labor and Human Resources” in subparagraph (B) and inserting “Committee on Health, Education, Labor, and Pensions”;

(B) by striking subparagraph (D) and inserting the following:

“(D) the Chairman and Ranking Member of the Committee on Appropriations of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Employer, Labor, and Human Services, and Education of the Committee on Appropriations of the Senate;”;

(C) by redesigning subparagraph (G) as subparagraph (J); and

(D) by inserting after subparagraph (F) the following new subparagraphs:

“(G) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;

“(H) the Chairman and Ranking Member of the Committee on Finance of the Senate;”;

(4) in subsection (e)(3)(A)—

(A) by striking “There shall be more than 200 additional participants” and inserting “The participants in the National Summit shall also include additional participants appointed under this subparagraph.”;

(B) by striking subparagraph (B) and inserting “shall be appointed by the President,” in clause (i) and inserting “not more than 100 participants shall be appointed under this clause by the President,” and by striking “and” at the end of clause (i); and

(C) by striking “one-half shall be appointed by the elected leaders of Congress” in clause (ii) and inserting “not more than 100 participants shall be appointed under this clause by the elected leaders of Congress,” and by striking the period at the end of clause (ii) and inserting “;”;

(5) in subsection (e)(3)(B), by striking “January 31, 1998” in paragraph (1)(C); and

(6) in subsection (e)(3)(C), by inserting “not later than 90 days prior to the date of the commencement of the National Summit,” after “comment,” in paragraph (1)(C);

(7) in subsection (e)(4), by inserting “;” in consultation with the congressional leaders specified in subsection (e)(2),” after “report”; and

(8) in subsection (f)—

(A) by striking “beginning on or after October 1, 1997” in paragraph (1) and inserting “2001, 2005, and 2009”; and

(B) by adding at the end the following new paragraph:

“(3) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted representation and reception authority limited specifically to the National Summit. The Secretary shall use any private contributions received in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph.”;

(9) in subsection (k)—

(A) by striking “shall enter into a contract on a sole-source basis” and inserting “may enter into a contract on a sole-source basis”;

and

(B) by striking “fiscal year 1998” and inserting “fiscal years 2001, 2005, and 2009.”

DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS ACT, 2000

THOMAS (AND ENZI) AMENDMENT NO. 1389

Mr. THOMAS (for himself and Mr. ENZI) submitted an amendment intended to be proposed by them to the bill, H.R. 2466, supra; as follows:

On page 5, line 13, strike the number “140,000,000” and insert in lieu thereof the number “140,000,000”;

On page 5, line 22, strike the number “17,400,000” and insert in lieu thereof the number “17,400,000”;

On page 13, line 8, strike the number “$5,244,000” and insert in lieu thereof the number “$5,244,000”.

TAXPAYER REFUND ACT OF 1999

ABRAHAM (AND OTHERS) AMENDMENT NO. 1390

(Ordered to lie on the table.)

Mr. ABRAHAM (for himself and Mr. HATCH, Mr. SHELBY, Mr. DeWINE, Mr. DODD, and Mr. SMITH) submitted an amendment intended to be proposed by them to the bill, S. 1429, supra; as follows:

At the appropriate place in title XI, insert the following:

“SEC. 2. PLACED-IN-SERVICE DEFINITION.

(a) Section 1205 is amended by redesigning subsection (d) as subsection (e) and inserting the following:


(2) in subsection (b), by striking “Not later than 90 days prior to the date of the commencement of the National Summit, the Secretary shall enter into a cooperative agreement, pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the American Savings Education Council,” and inserting “not more than 100 participants shall be appointed under this clause by the elected leaders of Congress,” and by striking the period at the end of clause (ii) and inserting “;”.

(3) in subsection (e)(2)—

(A) by striking “Committee on Labor and Human Resources” in subparagraph (B) and inserting “Committee on Health, Education, Labor, and Pensions”;

(B) by striking subparagraph (D) and inserting the following:

“(D) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Employer, Labor, and Human Services, and Education of the Committee on Appropriations of the Senate;”;

(C) by redesigning subparagraph (G) as subparagraph (J); and

(D) by inserting after subparagraph (F) the following new subparagraphs:

“(G) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;

“(H) the Chairman and Ranking Member of the Committee on Finance of the Senate;”;

(4) in subsection (e)(3)(A)—

(A) by striking “There shall be more than 200 additional participants” and inserting “The participants in the National Summit shall also include additional participants appointed under this subparagraph.”;

(B) by striking subparagraph (B) and inserting “shall be appointed by the President,” in clause (i) and inserting “not more than 100 participants shall be appointed under this clause by the President,” and by striking “and” at the end of clause (i); and

(C) by striking “one-half shall be appointed by the elected leaders of Congress” in clause (ii) and inserting “not more than 100 participants shall be appointed under this clause by the elected leaders of Congress,” and by striking the period at the end of clause (ii) and inserting “;”.

(5) in subsection (e)(3)(B), by striking “January 31, 1998” in paragraph (1)(C); and

(6) in subsection (e)(3)(C), by inserting “not later than 90 days prior to the date of the commencement of the National Summit,” after “comment,” in paragraph (1)(C);

(7) in subsection (e)(4), by inserting “;” in consultation with the congressional leaders specified in subsection (e)(2),” after “report”; and

(8) in subsection (f)—

(A) by striking “beginning on or after October 1, 1997” in paragraph (1) and inserting “2001, 2005, and 2009”; and

(B) by adding at the end the following new paragraph:

“(3) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted representation and reception authority limited specifically to the National Summit. The Secretary shall use any private contributions received in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph.”;

(9) in subsection (k)—

(A) by striking “shall enter into a contract on a sole-source basis” and inserting “may enter into a contract on a sole-source basis”;

and

(B) by striking “fiscal year 1998” and inserting “fiscal years 2001, 2005, and 2009.”

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